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European Union

What is its purpose?

Martin Wolf, Page 14

Gulf investment

Rulers need to change the rules

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Moving in

The PC in the living room

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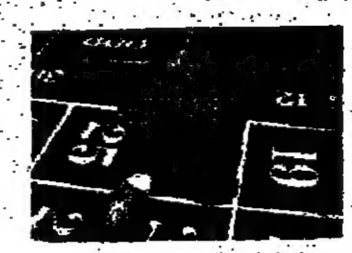

Australia

Casinos' luck runs out

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World Business Newspaper

TUESDAY JANUARY 30 1996

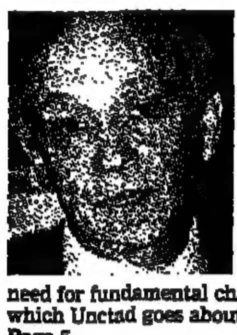
Germany's ruling coalition cuts 'solidarity' tax

Germany's governing coalition agreed to reduce the controversial "solidarity" tax by 2 percentage points in an effort to shore up support for the liberal Free Democrats (FDP) and prevent further government rifts. The FDP, the junior coalition partner, has campaigned for a cut or phasing out of the tax reintroduced a year ago to finance the costs of German reunification. Page 16

Japan's output picks up: Japan's industrial output accelerated last year, rising 3.3 per cent compared with an 0.9 per cent increase the year before, the ministry of international trade and industry said. Page 4

Job-seekers murdered: Eight people were shot and killed as they lined up in search of jobs outside a factory in a Johannesburg suburb. Another 23 were wounded. Police suspect the attack may be related to intense competition for scarce jobs. Page 5

Unctad chief plans sweeping shake-up



Rubens Ricupero, left, plans a shake-up of the much-criticised the United Nations Conference on Trade and Development he heads to increase the involvement of multinationals and private investors. In his report to Unctad's ninth ministerial conference in South Africa in April, Ricupero says "there is a need for fundamental change in the manner in which Unctad goes about fulfilling its mandate . ." Page 5

Total and Repsol in $850m Algeria deal: Sonatrach, Algeria's state owned oil and gas company, signed an $850m deal with France's Total and Spain's Repsol for the development of a gas field in the country's south-east. Page 16; UN talks on Iraq oil sale, Page 5

US Navy jet crash kills five: A US Navy F-14 Tomcat fighter crashed shortly after take-off on a training flight from Nashville airport, Tennessee, killing both crew members and three people in a house that took a direct hit from the jet.

Move to counter Islamic extremism: The Egyptian government passed a law aimed at stopping Moslem fanatics using the courts to impose their version of Islam on society. The move follows several court rulings against the government and individuals considered to have transgressed Islamic ethics.

French savings changes: The French government is considering making changes to a key national savings product in an effort to relaunch economic growth. An announcement is expected today. Page 16

Slowdown warning for chip market: Current growth in the semiconductor market was unsustainable and capacity increases could overshoot demand, said Pasquale Pistorio, chief executive of SGS-Thomson, Franco-Italian semiconductor maker. Page 17; Lex, Page 16

EU delays recognition for Belgrade: The European Union put off proposals to extend diplomatic recognition to former Yugoslavia, despite Franco-British enthusiasm for rewarding Belgrade for its role in the Dayton peace agreement. Page 2

Ulster talks break new ground: The first meeting between Northern Ireland's mainstream nationalist Social Democratic and Labour party and fringe Protestant loyalist parties linked to paramilitary groups was held as efforts were stepped up to keep the Northern Ireland peace process on track. Page 8; Editorial Comment, Page 15

French hostages freed in Yemen: Seventeen French tourists were freed after being held hostage for five days by Yemeni tribesmen.

Lithuania PM 'sacked': Lithuanian president Algirdas Brazauskas said he had signed a decree sacking the prime minister Adolfas Slezevicius. Brazauskas was angered by the government's handling of a banking crisis. Lithuania moves quickly over banks, Page 2

Ex-brewing group chief on trial: John Elliott, former head of the Elders IXL brewing and agribusiness group, went on trial in Melbourner. Page 4

Mars probes to search for life: Unmanned landings on Mars are planned over the next decade by US, European and Russian space agencies with a prime objective the search for signs of primitive life. Page 5

■ STOCK MARKET INDICES

New York lunchtime		
Dow Jones Ind Av	5,288.06	(+8.31)
NASDAQ Composite	1,040.35	(-0.61)
Europe and Far East		
CAC40	1,980.68	(+13.95)
DAX	2,446.05	(+13.12)
FT-SE 100	3,734.6	(-0.1)
Nikkei	20,580.2	(-74.64)

■ US LUNCHTIME RATES

Federal Funds	5⅝%
3-mth Treas Bills: Yld	5.125%
Long Bond	110⅔
Yield	6.088%

■ OTHER RATES

UK: 3-mo Interbank	6⅜%	(6¼%)
UK: 10 yr Gilt	$107\frac{1}{16}$	$(107\frac{3}{32})$
France: 10 yr OAT	105.85	(106.15)
Germany: 10 yr Bund	100.40	(100.81)
Japan: 10 yr JGB	111.456	(111.346)

■ NORTH SEA OIL (Argus)

Brent 15-day (Mar)	$16.02	(16.46)

■ GOLD

New York: Comex		
(Feb)	$405.8	(405.8)
London:		
close	$408.2	(405.6)

■ DOLLAR

New York: lunchtime		
£	1.58575	
DM	1.4825	
FFr	5.1015	
SFr	1.205	
Y	106.785	
London:		
£	1.5078	(1.503)
DM	1.4859	(1.4912)
FFr	5.1065	(5.1204)
SFr	1.2095	(1.206)
Y	106.60	(106.675)

■ STERLING

DM	2.2405	(2.2412)
Tokyo close:	Y 106.675	

Albania	LEK 220	Germany	DM4.00	Lithuania	Lts 16.00	Qatar	QR13.00
Austria	Sch37	Greece	Dr400	Lux	LFr75	S.Arabia	SR12
Bahrain	Din1.250	Hong Kong	HK$20	Malta	Lm0.85	Singapore	S$4.30
Belgium	BFr75	Hungary	Ft230	Morocco	MDh16	Slovak Rp	Sk25
Bulgaria	Lw130.00	Iceland	IKr230	Neth	Fl 4.75	S. Africa	R12.00
Cyprus	C£1.20	India	Rs75	Nigeria	Naira60	Spain	Pta250
Czech Rp	Kc60	Israel	Shk7.90	Norway	NKr20.00	Sweden	SKr20
Denmark	DKr18	Italy	L3200	Oman	OR1.50	Switz	SFr3.70
Egypt	E£5.00	Japan	Y500	Pakistan	Rs40	Syria	S£65.00
Estonia	EKr 22	Jordan	JD1.50	Poland	Zl 5.50	Tunisia	Din1.750
Finland	FM15.50	Kuwait	Fils550	Portugal (m'land)	Es240	Turkey	L70,000
France	FFr11.50	Lebanon	US$1.50			UAE	Dh12.00

Chirac ends French nuclear testing

President seeks to placate countries in Pacific region

By Andrew Jack in Paris and Bruce Clark in London

French president Jacques Chirac last night announced the end of his country's controversial nuclear testing programme in the south Pacific, which had provoked international outrage and damaged the country's relations with European partners.

In a national television address, Mr Chirac said that the tests were "definitively" ended. He justified the tests by suggesting that they gave France "a reliable and modern" deterrent: "the security of our country, that of our children, is assured".

His statement came two days after an explosion in French Polynesia, the sixth in a series which began in September, prompting an international backlash and triggering boycotts of French products.

The French announcement should clear the way for faster progress towards a global comprehensive test ban treaty, which France and most other members of the United Nations, with the exception of China, have pledged to conclude this year.

To further placate countries in the Pacific region, France has also indicated that it will sign an agreement for a nuclear-free zone in the south Pacific this year.

The decision, which appears to have reduced the planned programme from eight to six tests, will come as a relief to Pacific governments, including an unusually vocal Japan, whose relations with Paris have sunk to a low ebb.

The programme has also strained France's relations with its European Union partners, especially the Scandinavian nations and Italy. Only Britain, a fellow nuclear power, has unequivocally defended France's right to carry out the tests.

The news was welcomed by critics of the policy. The French affiliate of Greenpeace, the international environmental lobby group, said the decision "turns a particularly damaging page for the image of France in the world".

It was shortly after his election in June last year that President Chirac announced the restart of testing following the decision of François Mitterrand, his predecessor, to end it in 1992.

President Chirac acknowledged in his address that the June decision had provoked "disquiet and

Continued on Page 16

Deal beats deadline set by Fed

Sumitomo buys Daiwa's US assets for $60m

By Gerard Baker in Tokyo

Sumitomo Bank has reached agreement with Daiwa Bank on a deal to take over almost all the US assets of the disgraced Japanese lender. Sumitomo officials said yesterday the bank had agreed to acquire 15 Daiwa branches and assets totalling $3.3bn.

The transfer of the US assets, for which Sumitomo will pay $60m, will take place on Friday – the deadline imposed by US authorities for Daiwa to cease its operations in the US.

Daiwa will move all its other assets to its headquarters in Japan, and will close its remaining branches in the US. It will then begin a radical domestic and international restructuring programme agreed with the Japanese finance ministry.

The transfer was prompted by Daiwa's expulsion from the US by regulators following the delayed disclosure of massive losses at its New York branch last September.

The US sale is likely to be seen as a prelude to a possible merger between the banks. Daiwa's drastic sell-off has cast doubt on whether it has a viable future as an independent bank. As a close business partner, Sumitomo is seen as the natural candidate for merger. Neither bank would comment on reports of a planned merger.

Under yesterday's deal Sumitomo will acquire most of Daiwa's US assets and the branch network, bought from Britain's Lloyds Bank in 1989, for $60m. It will also take on the loans and related transactions of Daiwa Bank Trust Company in New York. Most of the trust business will be transferred to Sumitomo Bank of New York Trust, Sumitomo's trust banking subsidiary, for an additional $5m. Daiwa's main New York and Los Angeles branches will close.

Sumitomo, one of Japan's largest banks, already has assets worth more than $30bn in the US. The acquisition of the Daiwa branch network should enable it to expand into the middle range of the corporate commercial lending market. Most of the branches are in areas where there is currently no Sumitomo presence.

A Daiwa spokesman said the bank would now begin to implement its business improvement plan, as instructed by the Japanese finance ministry at the end of last year. This will involve reducing the number of overseas offices and cuts in staff from 9,000 to 7,000 over the next four years.

Sumitomo said it had not been able to reach agreement with Daiwa on the transfer of around $1bn in loans. Those will be transferred out of the US direct to Daiwa's headquarters in Japan. About 230 of Daiwa's 340 employees in the US will be kept on after the deal, including the entire commercial banking complement. A number of staff are expected to return to Daiwa's operations in Japan.

Last September, Daiwa revealed it had lost $1.1bn in unauthorised government bond trading by a dealer in New York. In November, it was ordered to shut its US operations by the Federal Reserve, which accused Daiwa's management of failing to report the discovery of the losses promptly. It was given until February 2 to effect the withdrawal.

The bank still faces 24 criminal charges of conspiracy, fraud and falsification of records. It has repeatedly said it would contest the charges and last week denied reports that it was seeking a plea bargain with US prosecutors.

Flash floods swept through the Herault department in southern France early yesterday (above), killing three people, overturning vehicles and causing significant structural damage. A number of people were missing around Beziers, where heavy storms caused three rivers to overflow. Torrential rain also triggered floods on the island of Corsica in the Mediterranean. Reuter

Unions to join works council at Philip Morris

By Robert Taylor, Employment Editor

Philip Morris, the US food and tobacco group which employs Lady Thatcher as a policy consultant, has become the first American company to agree to a European works council including full-time trade union leaders.

The company's decision is a victory for European trade unions. Under the new European Union law, companies are not required to have union officials on the works councils, which contain representatives from their own employees.

Philip Morris will establish a consultative works committee covering its 7,000 employees across Europe.

The body is designed to provide information to workers and improve communications in the company on its corporate strategies, but will not be involved in negotiating pay and benefits.

The company's decision to accept trade union officials who are not employed by the company is seen as a breakthrough by the ECF-IUF, the Geneva-based confederation for catering and food workers. Its general secretary, Mr Harald Wiedenhofer, will be a member of the works council.

Under EU rules, every company operating inside the EU that employs more than 1,000

Continued on Page 16

Moulinex chief dismissed after shareholder pressure

By Andrew Jack in Paris

Moulinex, the French household appliances group, yesterday announced the surprise departure of its chairman.

Mr Jules Coulon, who became head of the executive board less than two years ago, was relieved of his post yesterday following discussions with the supervisory board late last week.

An emergency board meeting will be held tomorrow to discuss the nomination of a replacement, the company said.

The action is believed to have been caused by shareholders' dissatisfaction at the company's slow pace of restructuring to solve financial difficulties.

It represents the latest twist in a series of management feuds and disappointing results at the group, which was on the point of bankruptcy in early 1994.

It also marks the increasing aggression towards executive management which some French shareholders are displaying when they are dissatisfied with the return on their investments.

Moulinex, which makes a range of products under its own name and that of Krups, reported losses of FFr121m ($24m) in its most recent results for the six months to September 30, compared with losses in the first half of the previous year of FFr259m.

It has struggled over the past few months with strikes in its factories in Normandy, exchange rate fluctuations and high product development and promotion costs while trying to reduce substantial debts and restructuring operations in several countries.

Executives had suggested that the group was likely to be able to break even for the full year, but it now appears their hope of returning the company to profit during the second half may have been too optimistic.

Analysts yesterday suggested that Moulinex's troubles began in the late 1980s following the decision of Mr Jean Mantelet, its founder, to sell the group to its employees.

A number of management changes followed in the early 1990s, and the group was forced to announce a wide-ranging restructuring in 1994 after it came close to folding.

Mr Coulon was faced with the challenge of attempting to reduce operating costs sharply at a time when the political and economic situation in France made domestic redundancies extremely difficult. He cut the workforce by 1,100 to about 12,000 employees.

The removal of Mr Coulon was expected to be announced at the time the board chose a successor, but the shareholders decided to accelerate the process after news of the changes was leaked to Le Monde newspaper this weekend.

In a brief statement, the group said that its supervisory board would meet on January 31 "to discuss the question of the replacement of the chairman".

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هكذا من الأصل

Santer leaps to counter gloom over Emu

By Lionel Barber in Brussels

Mr Jacques Santer, the European Commission president, will tomorrow unveil proposals for a Europe-wide "pact of confidence" among employers, unions and governments to break the spiral of gloom surrounding plans for monetary union.

In a speech to the European Parliament, he is expected to urge EU governments to follow the lead of the German "action for investment and jobs" plan, and consolidate schemes for achieving wage restraint, budgetary rigour and the protection of jobs.

The Commission is determined to answer criticism – repeated by Mr Malcolm Rifkind, UK foreign secretary, yesterday – that the plan for a single currency is rapidly losing credibility because it is linked with deflation and job losses.

Mr Rifkind said after a meeting of foreign ministers in Brussels that it was time EU supporters recognised that monetary union could not be achieved simply by reciting statements that it would happen in 1999.

"I doubt if this can go on day by day, week by week... I therefore think that those who are committed to that date are going to have to provide more than statements, more than assertions. They must offer something stronger."

Several ministers dismissed Mr Rifkind's words as an ill-disguised move to sow dissent and doubt about the Emu project. Mr Dick Spring, Ireland's foreign minister, said: "The UK view is not the view of the majority," while Mr Werner Hoyer, German deputy foreign minister, said it was far too premature to "bury" the single currency.

Doubts voiced about the feasibility of the Emu timetable grew to a crescendo last week after several leading EU politicians questioned the ability of France and Germany to meet the Maastricht treaty's targets on public deficits, chiefly because of the economic slowdown.

Mr Carlos Westendorp, Spanish foreign minister, warned of a "credibility crisis".

Mr Santer is said to be determined to counter-attack against Emu critics. His idea – which is bound to be criticised as corporatist in the UK – is for a pan-European initiative to tackle Europe's unemployment crisis while maintaining budgetary discipline.

France and Germany said earlier this month that they would co-ordinate a series of measures to boost growth. The German government's jobs plan, to be unveiled today, takes account of the earlier agreement between employers and trade unions on wage restraint in return for limited job protection.

France will unveil its own measures to stimulate growth today, though Mr Hoyer stressed that this would not amount to a reflationary exercise. "We are not going to fall into the trap of neo-Keynesian economics," *he said.*

Mr Santer wants to squeeze all the political benefits out of perceived Franco-German co-operation – and then hope that the German-led reduction in interest rates will trigger renewed growth this year.

This would be the best tonic against the Emu-scepticism which has spread rapidly since last month's EU summit in Madrid. There, leaders agreed to name the single currency the Euro and settled on a blueprint for its introduction between 1999 and 2002.

THE FINANCIAL TIMES
Published by The Financial Times (Europe) GmbH, Nibelungenplatz 3, 60318 Frankfurt am Main, Germany. Telephone ++49 69 156 850, Fax ++49 69 596 4481. Represented in Frankfurt by J. Walter Brand, Wilhelm J. Brüssel, Colin A. Kennard as Geschäftsführer and in London by David C.M. Bell, Chairman, and Alan C. Miller, Deputy Chairman. Shareholders of the Financial Times (Europe) GmbH are: The Financial Times (Europe) Ltd, London and F.T. (Germany Advertising) Ltd, London. Shareholder of the above mentioned two companies is: The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.
GERMANY:
Responsible for Advertising: Colin A. Kennard. Printer: Hürriyet International GmbH, Admiral-Rosendahl-Strasse 3a, 63263 Neu-Isenburg ISSN 0174 7363. Responsible Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.
FRANCE:
Publishing Director: P. Maraviglia, 42 Rue La Boétie, 75008 PARIS. Telephone (01) 5376 8254, Fax (01) 5376 8253. Printer: S.A. Nord Eclair, 15/21 Rue de Caire, F-59100 Roubaix Cedex 1. Editor: Richard Lambert. ISSN 1148-2753. Commission Paritaire No 67808D.
SWEDEN:
Responsible Publisher: Hugh Carnegy 468 618 6088. Printer: AB Kvällstidningen Expressen, PO Box 6007, S-550 06, Jönköping.

Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.
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German group's plan for business benefits blocked by Brussels

Deutsche Telekom discount delay

By Michael Lindemann in Bonn

Deutsche Telekom, Germany's state-owned telecoms group, has been forced to reconsider plans to offer business clients discounts of up to 43 per cent until similar benefits are offered to residential customers, after protests by the European Commission.

Mr Wolfgang Bötsch, German post and telecoms minister, announced yesterday after meeting the country's telecoms regulatory council that he could not approve the corporate discounts until Deutsche Telekom explained how private customers might also benefit from changes in its tariffs structure.

A 60-page document from the Brussels Commission outlined fears that Deutsche Telekom might be subsidising its discounts to business customers by raising charges for residential customers and that this change of pricing could make it more difficult for new entrants to the German telecoms market.

The government's decision to heed the advice from Brussels marks a considerable rebuff for Deutsche Telekom as it prepares for privatisation later this year and pushes to secure the best possible position ahead of full liberalisation of the European Union telecoms market in 1998.

Leading politicians and members of the public had lambasted the company when it announced its tariff changes – which included the raising of the cost of some local calls by up to 156 per cent. Deutsche Telekom said it was "disappointed" by Mr Bötsch's decision but added that it would put forward a more detailed set of proposals on March 11 when the German regulatory committee next meets.

Mr Bötsch now has one month to answer the allegations, which were originally brought to the Commission's attention by a number of leading German companies such as Thyssen, Viag and Mannesmann, all locked in an increasingly bitter battle for market share in Europe's biggest telecoms market.

"I consider the relationship between the discounts which Deutsche Telekom wants to offer its corporate clients and the tariffs payable by private clients to be unbalanced," Mr Bötsch said.

The company claimed that Mr Bötsch was ready "in principle" to approve the corporate discounts, but wanted them to be matched by other features which would also benefit private clients and Deutsche Telekom's competitors.

Such features are likely to include a new service offering discounts on calls frequently made by private customers and cheaper connections to ISDN – a new telephone network which is faster than conventional connections and permits the transmission of pictures.

However, Mr Bötsch also indicated yesterday that he would also want to see better conditions for the mobile phone operators and other companies which have to rent telecoms lines from Deutsche Telekom.

Belgrade recognition delayed

European Union shelves proposals after hitch over Macedonia

By Lionel Barber in Brussels and Bruce Clark in London

The EU yesterday put on ice proposals to extend diplomatic recognition to former Yugoslavia, despite Franco-British enthusiasm for rewarding Belgrade for its role in the Dayton peace agreement.

A final deal remained elusive at a meeting of EU foreign ministers in Brussels, chiefly because of hitches over mutual recognition between Belgrade and the former Yugoslav republic of Macedonia.

The Belgrade authorities said early yesterday that they remained willing to exchange ambassadors with Skopje, under a formula sketched out by both capitals on Friday, but there was no agreement yet on the timing of this move.

Greece, a traditional friend of the Serbs, had urged Belgrade over the weekend to hold off from recognising its neighbour as the "republic of Macedonia" until the outcome of forthcoming talks on the country's name in New York.

The EU plan to upgrade diplomatic links with Serbia and Montenegro, the rump of the pre-war Yugoslavia, has also prompted unease in Bonn and Washington. The US wants to exert pressure on President Slobodan Milosevic to improve human rights in the neighbouring province of Kosovo and to comply with The Hague war crimes tribunal.

Italy, which holds the rotating EU presidency, circulated a text in Brussels which said there was no obstacle to recognition of former Yugoslavia, but it should be accompanied by certain principles.

- Mutual recognition of all former Yugoslav republics, and normalisation of relations with Croatia.
- Progress on the application of the Dayton accords, particularly the respect of minorities; collaboration with The Hague tribunal; and the offer of autonomy to Kosovo, which has an Albanian majority.
- Recognition does not mean that Serbia and Montenegro should consider themselves the sole successor state of former Yugoslavia.

Mr Malcolm Rifkind, UK foreign secretary, said there was general support in favour of upgrading diplomatic relations with Belgrade in the wake of the Dayton agreement: "The logic points toward early recognition."

Mr Carl Bildt, the high-level international envoy charged with implementing the civilian aspects of the Dayton accords, told ministers that he was concerned with the slow progress on reconstruction in Bosnia and dissatisfied with co-ordination among the various agencies.

A Bosnian Serb boy smiles up at two US soldiers, part of a Nato patrol which stopped in a village near Tuzla Reuter

Scalfaro tries again to resolve crisis

By Robert Graham in Rome

President Oscar Luigi Scalfaro today begins a third round of consultations to resolve Italy's government *crisis, with the* parties as far apart as ever.

The consultations are due to conclude tomorrow, and if the stalemate persists, the head of state will be obliged to dissolve parliament during Italy's current EU presidency.

The main problem centres on serious divisions within the rightwing alliance headed by Mr Silvio Berlusconi, the former premier. The alliance has failed to find a common position on a proposal to form a broad-based government with all the big parties which will last for 18 months and overhaul the Italian state.

These talks have been going on since Mr Lamberto Dini resigned as prime minister on January 11. The distance remains despite Mr Berlusconi's request to President Scalfaro last week for extra time to bridge the gap between the bulk of his alliance and Mr Gianfranco Fini, leader of the rightwing National Alliance (AN).

Yesterday Mr Berlusconi said it was still possible to reach an agreement that satisfied both Mr Fini and the centre-left alliance, headed by the Party of the Democratic Left (PDS). But Mr Fini refused to *soften his stance.*

At the same time Mr Massimo D'Alema, leader of the PDS, criticised Mr Berlusconi and his allies as being unreliable and incapable of stating a clear position. In this climate, Mr D'Alema said, it would be better to go the polls.

The intense bargaining of the past two weeks has seen all the political leaders anxious to endorse a reform programme. However, each one has a different idea of what these reforms should be.

The PDS-led centre-left is mainly concerned with introducing an electoral law which would change television ownership rules to limit Mr Berlusconi's media power and would ensure the state-run Rai broadcasting organisation was controlled by a more impartial management.

Mr Berlusconi appears more *interested in the reform* programme as a means of gaining time while he sorts out his judicial problems and settles the conflict of interest with his media business. Mr Fini, on the other hand, is committed to reinforcing the premier's position by having him directly elected.

But he doubts the ability of *any government to last* the minimum 18 months necessary to preside over the proposed reforms. He also appears increasingly ready to go for an early election because he hopes to gain more votes than Mr Berlusconi, making him the real leader of the right.

The resignation last week of Mr Domenico Fisichella, who *helped* transform the neo-fascist MSI into the AN last year, underlined Mr Fini's increasingly hard line.

Lithuania's government moves swiftly to counter bank collapse

By Matthew Kaminski, recently in Vilnius

A month after Lithuania's two biggest commercial banks went bust, the government yesterday presented to parliament its plan to put the financial system back on its feet.

The intention is to merge and nationalise the Innovation and Litimpeks banks, closed just before Christmas, and inject enough capital to enable reopening. The 60,000 individual depositors will be compensated for up to Lt 1,000 ($250) in lost savings.

A trust will take over the estimated $350m in bad loans of the two banks and will try to recover as much as possible.

Under the plan, put together with the International Monetary Fund and World Bank, frozen assets will be turned into five-year interest-bearing government bonds. The new institution – to include Vakaru bank, which closed earlier last year – will be privatised within 18 months.

The cost of the bail-out would be borne mainly by taxpayers, but the government also intended to tap domestic and international financial markets, Mr Adolfas Slezevicius, the prime minister, said in an interview last Thursday. Lithuania was considering its second eurobond flotation, he added.

The government's quick *response* helped restore some confidence among depositors and investors. There were no panic runs at the other banks; and even the increased demand for withdrawals at other banks could be met *because the government hon*oured the bonds the banks held as reserves.

New bond issues initially sold poorly at auction, until interest rates went up from 18 per cent to 28 per cent where the market appeared to level out last week.

The IMF praised the government's decisive move to close the weak banks and ensure shareholders could not plunder the remaining assets. Last May's more serious banking crisis in neighbouring Latvia – where 40 per cent of the sector went under with Banka Baltija – was exacerbated by the Riga government's initial hesitation. In the event, assets were stripped and government *promises to compensate deposi*tors turned out to be too expensive.

"As fireman, [Lithuania's government] did a good job," said Mr Kestus Glaveckas, an economist at Lithuania's stock *exchange. "However, that the* building totally burned down is also partly their fault."

Lax bank supervision has been an obvious target for blame, forcing the resignation last week of the central bank governor, Mr Kazys Ratkevicius. Poor auditing, weak management and pervasive fraud let banks lend to one another or *exclusively to one or more* shareholders.

Given inherent and obvious weaknesses in the sector, said a western official, Lithuania should have acted sooner and with less drama – the two bank's presidents were arrested, one in a widely publicised siege at his bank's Vilnius headquarters, which *started the run on deposits* and forced the closures.

Taken together, Innovation and Litimpeks held 23 per cent of all deposits. Although the country's three largest banks are state-owned, the government took the political decision to rescue the private institutions. The economic cost may be formidable.

The economics ministry now plans to downgrade its optimistic forecast of 4.2 per cent gross domestic product growth and *20 per cent inflation for* 1996. This year's 2.6 per cent fiscal deficit would probably be higher, a ministry official said.

But economists expect the banking sector to come out healthier – as it has in Latvia and other east European countries which experienced a banking purge.

A sudden drop in inflation, checked at 35.7 per cent last year, and a currency pegged to the dollar, have reduced easy profit-making opportunities for many banks. Inexperience and *poor access to reliable finan*cial data needed to assess risk properly help account for the bad loan problem across the region.

"The causes of these recent problems were planted over the past three years," Mr Slezevicius said. "It was just a question of time".

But economists believe some structural reform shortcomings should also bear some blame. Innovation's loan portfolio depended heavily on struggling energy companies, *forced by the government* to charge below market rates and to take on expensive loans for fuel purchases.

Lithuania's President Algirdas Brazauskas yesterday said he had signed a decree sacking his prime minister, Mr Adolfas Slezevicius, in response to his "inadequate actions in the [banking] crisis". The two former allies from the reformed communist Lithuanian Democratic Labour party held a 15-minute meeting at which the premier refused to resign. "The president has asked me to write a letter of resignation and I refused to do so," Mr Slezevicius said.

The prime minister's fate will be decided in a parliamentary vote on February 8. Mr Brazauskas needs the support of at least 70 of the 139 deputies to put his decree into effect.

The president has criticised the prime minister for withdrawing his personal savings from a commercial bank just two days before it was closed. He was also angered when Mr Slezevicius blocked the resignation of his interior minister, criticised by the president for ordering the arrest of executives at two failed banks.

Women earn big part of household incomes

By Lisa Wood in London

The stereotype of women working for pin-money was demolished yesterday in a European-wide survey* showing that those with jobs make significant contributions to their household incomes.

Fifty nine per cent of employed women in the survey, covering France, Germany, Britain, Spain and Italy provided half or more of the incomes of their households.

Highest contributors were in France and Germany, where more than one in three supplies all the income, according to the survey by the Mori market research organisation, on behalf of Whirlpool, a US charity.

British women were least likely to supply all the income. This may be associated with their relative concentration in low-paid part-time work, said Whirlpool, which contributes more than $6m a year to charitable projects including life-long learning and family life.

Although women do not yet make up half the work force in any of the countries surveyed they are an important presence, the survey showed. They make up 44 per cent in France, 35 in Spain, 37 in Italy, and 43 per cent in Germany and the UK.

Considerable numbers of women who were currently not working said they planned to work at some stage in the near future – particularly women in Germany and the UK.

Even if they had enough money to live on without working, almost 50 per cent of all women would opt for full-time or part-time work. Only 23 per cent of women said they would prefer to stay at home.

Women do however desire greater flexibility at work in order to accommodate their families better. Along with European men they expressed a desire for shorter working hours. Part-time work seemed ideal for most women, who in the main saw their work as a job rather than a career.

Women: Setting new priorities. Whirlpool Foundation, 400 Riverview Drive, Suite 410, Benton Harbor, MI 49022, USA.

Women's* contribution to household income

How much of your household's income do you personally provide?

	Europe average %	France %	Germany %	Britain %	Italy %	Spain %
All	28	36	38	12	22	30
More than half	10	11	12	10	11	6
About half	22	24	15	19	31	19
Less than half	37	26	31	58	31	37
Not sure	4	2	3	1	5	8
Half or more	59	72	65	4	64	55

*Women aged 18-55, currently working Source: MORI, Whirlpool Foundation

EUROPEAN NEWS DIGEST

IMF team due in Kiev today

An International Monetary Fund mission arrives in Kiev today to begin negotiations aimed at getting Ukraine's economic reforms back on track.

The ex-Soviet republic *last month* suffered a serious setback when the IMF took Ukraine off its $1.5bn stand-by programme. The mission will look closely at the 1996 budget, still before parliament, and external debt obligations to gauge adherence to the stand-by agreement signed last year. If talks are successful, the last two loan tranches, worth $700m, could be released by early April.

A stronger than expected reserve position means Ukraine will not immediately feel the economic impact of the delay. But government leaders, sensitive to western opinion, this month stepped up the offensive.

Before committing fresh *funds*, the IMF wants a 1996 budget passed with feasible revenue and expenditure targets. An official said the budget "is still a long way off", but added Ukraine had almost settled its arrears for Russian energy imports to the IMF's satisfaction. *Matthew Kaminski, Kiev*

Lyonnaise executive arrested

Mr Jean-Jacques Prompsy, the former commercial director of Lyonnaise des Eaux, the French construction and utilities group, has been arrested and placed under formal investigation in relation to alleged payments made by his company to an organisation linked to the financing of the Socialist party.

Five other people, including two former executives of Lyonnaise des Eaux, were also placed under investigation connected to payments of FFr1.42m ($280,000) made by Lyonnaise to Urba, a consultancy firm linked in numerous investigations to the Socialists.

Mr Prompsy has already been fined FFr400,000 and condemned to a four-year suspended prison sentence on corruption charges tied to the award of the water contract for *the city of Grenoble to Lyonnaise* and one of its affiliates. *Andrew Jack, Paris*

González launches campaign

Mr Felipe González, the Spanish prime minister, yesterday launched a general election platform based on the preservation of welfare benefits, and sought to shift the focus of the campaign away from the "dirty war" controversy over covert anti-terrorist activities.

With less than five weeks to go before the March 3 election, *and with his Socialist party trailing in opinion* polls, he accused the centre-right opposition of planning to undermine social advances made since he came to power 13 years ago.

He announced a Socialist platform based on job creation, increased competitivness, and defence of the welfare state, referring to his Popular party opponents as "the rightist alternative".

At the same time, he fended off accusations of trying to interfere in the legal case against his former interior minister Mr José Barrionuevo, who faces Supreme Court charges on three counts in the "dirty war" affair. Following reported comments *criticising the timing of the charges, he said he* respected the examining magistrate's decision and would always stand by the independence of the judiciary. But in a defiant gesture, the Socialist party has kept Mr Barrionuevo in its list of candidates for the election. *David White, Madrid*

Two accidents at Hoechst

Two accidents have taken place at Hoechst, the German chemical company, within 24 hours. On Saturday, a toxic pesticide rained down on a Frankfurt suburb, followed by another accident in the early hours of Sunday, when 1.5 tonnes of a liquid chemical boiled over and escaped into the local water system.

Saturday's accident took place at a subsidiary in the Frankfurt suburb of Griesheim, where isoproturon, a weed killer, escaped *through the roof of a factory*. The chemical is classified as a weak carcinogen.

In a letter to residents Hoechst said that the danger was small, but "to be on the safe side, we would ask you please not to let your children play in the snow or to eat winter vegetables or salad from your gardens until further notice." Local schools remained closed yesterday.

The second accident occurred at the company's main Frankfurt plant, where a liquid used as an intermediate product in pharmaceutical manufacturing leaked into a local canal. *Wolfgang Münchau, Frankfurt*

Boost for Dutch budget deficit

The Dutch budget deficit was provisionally estimated yesterday at equivalent to 3.6 per cent of gross domestic product in 1995, a better performance than the government's previous forecast of 3.7 per cent.

The 1995 figure will make it easier for the Netherlands to meet its goal of getting the deficit to below 3 per cent in 1996. This would fulfil one of the criteria for participation in European economic and monetary union, though the absolute level of public debt remains just below 80 per cent at 78.5 per cent, well above the Emu target of 60 per cent.

The finance ministry said the lower-than-expected deficit for 1995 was due to higher economic growth. The Netherlands' relatively healthier prospects for meeting Emu targets *contrasts with growing doubts* whether the performances of Germany and France will enable the single currency project to be launched in 1999. *Ronald van de Krol, Amsterdam*

Ukraine suspends conscription

Ukraine has suspended the conscription of new soldiers into its army until it decides how to reorganise its drastically reduced military. "This is the first time in Ukraine, or even in the [former Soviet Union] that draftees are being sent back home," Mr Yuri Voronin, main duty officer at Kiev's Military Registration and Enlistment Office, said. "This would have been impossible in the Soviet Union."

According to Mr Voronin, thousands of draftees from all over Ukraine were abruptly ordered back home after showing up for duty during the autumn conscription period which ended in December. He said the draftees were expected to be recalled only during the spring period, beginning in March.

■ In Damascus, a senior Russian navy commander said that Moscow would maintain its naval presence in the Mediterranean and Black seas. Admiral Igor Kasatonov, first deputy commander of Russian naval forces, warned at a news conference "against the presence of any foreign forces in the Black Sea". *AP, Kiev and Damascus*

Governor's plea over Chechnya

Mr Boris Nemtsov, one of Russia's most influential regional governors, yesterday personally pleaded with President Boris Yeltsin to withdraw federal forces from Chechnya and end the conflict which has ravaged the north Caucasus for 13 months.

The governor of Nizhny Novgorod said 1m people in his central Russian region had signed an appeal calling for the cessation of hostilities. "I think Boris Nikolaevich [Yeltsin] has sufficient authority and sufficient force and means to stop the war immediately. It is very important for the whole country. Chechnya cannot continue to be a bloody region for so long," Mr Nemtsov said after meeting the president.

Political observers suggest Mr Yeltsin has held a series of meetings with regional governors in recent days to rally support for a probable re-election campaign. But some governors appear to have taken the opportunity to extract favours from Mr Yeltsin in return. Mr Yeltsin was placed fifth in the most recent opinion poll of potential presidential candidates, languishing well behind the Communist party leader, Mr Gennady Zyuganov.

Mr Yeltsin appears desperate to find a means to end the unpopular conflict either through increased force or by reconciliation. Mr Nemtsov said the president promised to consider his peace appeal carefully. *John Thornhill, Moscow*

NEWS: EUROPE

Turks and Greeks on alert over islet

Greece yesterday warned Turkey it would not accept any questioning of its territorial sovereignty after Turkish journalists raised a Turkish flag on a barren Aegean Sea islet that both countries claim, Reuter reports from Athens.

Greece placed some military units on the alert, protested to Turkey and briefed envoys of the US, Russia and its European Union partners on Sunday. The flag incident signalled a worsening in already tense relations between the two regional rivals and fellow members of the Nato.

"We warn that the reaction by Greece to any such aggressive nationalism will be strong, immediate and effective. We have the means and will use them without flinching. We will accept absolutely no questioning of our sovereign rights. Let them not be fooled," the new prime minister, Mr Costas Simitis, said in a statement.

Government spokesman, Mr Dimitris Reppas, interpreted the statement by explaining that the armed forces "can halt any operation by citizens of another country, any action or initiative meant to doubt our sovereign rights".

Mr Deniz Baykal, the Turkish foreign minister, in turn summoned the Greek ambassador in Ankara and gave him a protest note claiming that the islet belonged to Turkey. "Using all means at our disposal, we will defend our rights against a fait accompli," Mr Baykal said.

On Saturday afternoon, journalists from the Turkish daily Hurriyet flew by helicopter to Imia, an uninhabited rock islet off the Turkish coast. They took down a Greek flag and raised a Turkish one. The next day members of the Greek navy switched the flags. Naval vessels from both countries sped to the scene.

Turkey's protest note demanded "that Greece withdraw its forces on the islets immediately and remove all signs that try to prove Greek sovereignty".

The incident infuriated Greek officials, who had earlier tried to play down initial Turkish claims to the islet. They say that Imia was ceded to Greece along with other islands in the Dodecanese chain by an Italian-Greek accord in 1947, following an agreement between Italy and Turkey in 1932.

Mr Baykal said the islets were not mentioned by name in the agreements, making their status "ambiguous".

"It is a well-known tactic of nationalist circles in Turkey to provoke tension in relations with Greece whenever domestic conditions in Turkey demand," Mr Simitis said in his first foreign policy statement since his election.

The Turkish premier, Mrs Tansu Çiller, said that agreements in 1923 and 1947 showed that the islet belonged to Turkey. It is called Kardak in Turkish. "This issue needs to be solved through discussions," she said in Ankara.

The controversy started last week when Greek media reported that a Turkish ship had run aground near the islet and had refused assistance from the Greek coast guard, saying it was on Turkish territory.

The two countries nearly went to war in 1974 when Turkey invaded and occupied northern Cyprus, an independent eastern Mediterranean island, and in 1987 when Turkey tried to send an oil-drilling ship into disputed waters in the Aegean.

Imia is about 11 nautical miles from the port on the Greek island of Kalimnos and about 3.8 miles off the Turkish coast.

It is made up of two rocks covering a total of four hectares, according to the Athens daily Eleftherotypia.

New Greek foreign minister Theodoros Pangalos (right) with European Commission president Jacques Santer in Brussels

Islamist party embarrassed by link to crime

Turk fined $329m for embezzling Bosnia fund

By John Barham in Ankara

An Istanbul court yesterday made Turkish legal history when it gave Mr Suley Mercumek, a business consultant with close links to Turkey's Islamist Refah party, a record fine of L20,660bn ($329m) plus a jail sentence of four years and one month for embezzling funds he had raised on behalf of Bosnian Moslems.

Lawyers for Mr Mercumek – who is believed to have raised about L15,000bn from ordinary Turks sickened by the massacres of Moslems in the former Yugoslavia – said he could not pay the fine and would appeal against the conviction to the Supreme Court. It was not immediately clear if Mercumek, whose whereabouts were unknown, would give himself up. However, the court warned that failure to pay would lead to a three-year extension of his sentence.

Prosecutors could not prove that Mr Mercumek illegally transferred the money he stole to the coffers of the Refah, which became the largest party in last month's general elections when it won 21 per cent of the vote.

Mercumek's conviction has deeply embarrassed Refah which successfully campaigned on an anti-corruption platform.

But Mr Necmettin Erbakan, the Refah party chairman, declared yesterday: "This issue is not related to us." Mr Necati Celik, deputy head of the parliamentary party, said: "We have 4m members and we cannot be responsible for everything our members do."

Turkish television reported that the investigation first began in 1994 after Mrs Tansu Çiller, the prime minister, accused Refah of embezzling the money it raised for the Bosnians.

The trail later led to Mr Mercumek after two of the Istanbul banks where he had invested the money collapsed.

Refah's fund-raising both for itself and on behalf of other worthy Moslem causes has raised eyebrows before.

Last year Mr Osman Yumakogullari, chairman of National View Organisation, a movement affiliated to Refah, denied he had helped the Islamists in Algeria's civil war, but confirmed that he had donated DM600,000 ($402,000) to the Moslem Chechen rebels fighting for independence from Russia.

He said the organisation's aid to Bosnia would no longer be channelled through field commanders, but would be sent to ambassadors or the head of state directly.

Although most Turks would not put Mr Erbakan's honesty in doubt, the more observant Moslems have criticised his love of luxury and assiduous accumulation of wealth.

In 1994 he gave his wife a new 300E Mercedes Benz car, and last year reported to parliament that he owned 128kg of gold.

Disgust at political corruption in Turkey has grown since the head of Istanbul's water company was jailed for channelling kick-backs in 1993 to the People's Socialist party.

EU slow to attack single market in crime

By Emma Tucker in Brussels

When Europe's single market was launched three years ago, a negative spin-off was the simultaneous creation of a single market in crime in which certain cross-frontier activities such as drug smuggling and car theft could be executed more easily.

The obvious response from European leaders was to organise a pan-European approach to crime, immigration and justice. As Mr Giovanni Rinaldo Coronas, the Italian justice minister, said when wrapping up a weekend meeting on justice and home affairs in Rome: "The most dangerous forms of crimes are very often transfrontier in nature. We are aware that we can't deal with them on a purely national basis."

The problem is organisation of the response. As the Rome discussions between EU ministers demonstrated, governments are finding it difficult to marry domestic approaches to justice and home affairs with joint European action. Although the meeting was "informal", and therefore not entitled to take decisions, by the end of the two days it was clear that little or no progress had been made on several key issues.

Plans for setting up a pan-European police agency were still stalled; the "external borders convention", to harmonise policing of the EU's outer rim, remained deadlocked; a declaration on cross-border organised crime was sent back for further work; and no moves were made to unblock British opposition to a joint framework for combating racist and xenophobic activities.

All these issues fall under the "third pillar" of the Maastricht Treaty – that section which deals with justice and home affairs and which remains a matter for co-operation between national governments.

It is generally agreed that the third pillar has not performed well in the two years since the Maastricht treaty came into force, and it is therefore a candidate for radical revision during this year's inter-governmental conference to reform the treaty.

Only the British government wants minimal change. It argues that practical co-operation is all that is needed for efficient action at a European level, and is loath to see this area fall under the remit of the European Union and its institutions.

Ms Ann Widdecombe, the British Home Office minister who was in Rome, said: "The third pillar should stay intergovernmental. Issues such as national security and terrorism are fundamental to the way individual governments work."

Ironically though, Britain can often be identified as the cause of the third pillar's slow progress. Because decisions under the third pillar are a matter for consensus, national governments can act alone to block the adoption of initiatives and Britain has made full use of its power of veto. It has effectively done this on Europol – the pan-European police intelligence agency. Britain, a supporter of Europol, nevertheless does not want the European Court of Justice to have any role in adjudicating grievances that might arise out of it.

The external borders convention cannot come into force because of a dispute between Spain and Britain over whether Gibraltar should be included, but also over the role of the Court of Justice - a problem again for Britain.

A joint framework to tackle racism and xenophobia has been delayed because of British hostility to elements of the plan that would have entailed alterations to British law.

The European Commission's response is clear. It believes that all elements of the third pillar – excluding police and criminal law – should be transferred to the "first pillar" of the Maastricht treaty, where the Commission has a lead role in initiating legislation, and where votes in the council of ministers are taken by a qualified majority.

Such a move would allow more federalist countries to out-vote Britain in the council of ministers and forge ahead with policies on justice and home affairs. It is unclear, however, how much support the Commission will get. Germany, the driving force behind many third-pillar initiatives, has recently appeared to back away from outright endorsement of such radical action.

This may be to accommodate France. France has not yet lifted controls on travellers under the Schengen agreement with six other member states because of worries over terrorism.

The problem for the Commission is that the third pillar touches the core of national sovereignty. It is for this reason that the Commission may find its plans are over-ambitious when discussions on reform get under way later this year.

Russia confirms slower sell-off

By John Thornhill in Moscow

Mr Alexander Kazakov, Russia's newly appointed privatisation chief, has confirmed Russia will slow the pace of its controversial privatisation programme and concentrate on selling enterprises on a case-by-case basis this year.

"Privatisation for the sake of money is totally absurd. Privatisation should be for the sake of the effective operation of enterprises. This is the bedrock principle," he said in an interview on Russian television.

Mr Kazakov was part of the original team at Russia's State Property Agency which conducted the privatisation programme and is seen as a liberal reformer.

Mr Kazakov said some compromise must be found between selling enterprises fairly and raising Rbs12,000bn ($2.5bn) to meet this year's budget targets.

He personally favoured privatising 10-15 companies on a carefully targeted basis.

■ In Washington, Mr Victor Chernomyrdin, the Russian prime minister, said market reforms would continue in Russia, although the government would make "certain corrections" in its programme, Reuter reports from Washington. At the start of a meeting with Mr Al Gore, the US vice-president, Mr Chernomyrdin cautioned that US and Russian elections this year could lead to "improper interpretation of events" in both countries.

NEWS: THE AMERICAS

Forbes leading Dole in state primary poll

By Patti Waldmeir in Washington

Mr Steve Forbes, the multi-millionaire magazine publisher, has pulled ahead of Senator Bob Dole in the race for the Republican party's presidential nomination, in the key state of New Hampshire.

This is the first time Mr Forbes has shown a lead over the party's national front-runner in an independent poll.

The Pew Research Centre's poll of registered Republicans and independents, released yesterday, put Mr Forbes's support at 29 per cent, while Mr Dole, the Senate majority leader, scored 24 per cent.

The 5 per cent margin of error in the Pew poll could disguise a lesser lead for Mr Forbes. Even so, it would mean, at the worst for him, that the two candidates were even in New Hampshire, in the approach to the state's primary election on February 20.

That is a finding serious enough to concern Dole campaign strategists, after a week of negative publicity for the senator. He has been widely criticised for his lacklustre performance when replying, on television last Tuesday, to President Bill Clinton's state of the union address.

Meanwhile, Mr Forbes has continued to enjoy the media spotlight. The poll was taken at the end of a week in which he appeared on the covers of two national news magazines, Time and Newsweek.

Its findings reflect his heavy investment of time and money in tiny New Hampshire, where he has campaigned intensively and spent large sums on television advertising over the past few weeks.

Up to now, the Forbes campaign has threatened mainly those competing for second place behind Mr Dole, who holds a commanding lead in most national polls over his other rivals for the nomination. The Pew poll showed both Mr Forbes and Mr Dole well ahead of the pack of Republican aspirants, each man stuck at 10 or 11 per cent.

Mr Forbes's appeal may wane before the presidential election in November. However, the New Hampshire primary – one of the early votes which can help in the prediction of an eventual winner – could still yield a surprise.

It would not be the first time. In 1988, then Vice-President George Bush overtook Mr Dole on the last weekend before the New Hampshire primary. He went on to win the presidency.

US survey shows much ignorance and deep mistrust

America the pessimistic

By Patti Waldmeir in Washington

The US is becoming a nation of suspicious strangers, whose mistrust of one another is exceeded only by their distrust of the federal government. They know little about politics and current affairs, and care less. Most have no idea how the federal government spends their money.

Those are the results of a recent national survey by the Washington Post, Harvard University and the Kaiser Family Foundation, published this week in the Post. The survey confirms much anecdotal evidence about this year's presidential campaign: that it takes place in an atmosphere of cynicism and apathy unprecedented in recent US history.

Anger with government and disgust with politicians was a big factor in the 1992 and 1994 US elections, both of which led to a shift in power. Presidential candidates from both main parties are behaving as though they think the sour political consciousness of their fellow citizens could have a big impact this year as well.

The survey reveals that more than three quarters of those surveyed could not name their representatives in the US senate, four in 10 could not name the vice-president, nearly half could not name the Speaker of the House of Representatives, Mr Newt Gingrich, who was Time magazine's man of the year in 1995.

At a time of vigorous national debate about policy issues such as the size of the federal budget deficit and of government itself, the survey revealed surprising ignorance. Sixty per cent said they believed more was spent on foreign aid than on Medicare (publicly funded healthcare for the elderly). In fact, Medicare consumes 13 per cent of the federal budget; foreign aid accounts for less than 2 per cent. Most of those surveyed did not know that the federal budget deficit and the number of central government employees had fallen in recent years.

Politicians may have reason to prefer that ignorance to knowledge, for the survey shows a direct correlation between information and distrust. Among those with a high level of knowledge of politics, over three quarters said they had little confidence in government. That represents a sharp decline: in 1964, three in four Americans trusted the federal government "all or most of the time". Only one in four displays such trust now.

The survey shows that this negative attitude to government is mirrored by – some political scientists would say, caused by – declining trust in human nature. Two thirds of Americans believe most people – not just politicians – cannot be trusted. Thirty years ago, most people believed the opposite. Crime, economic insecurity, and a growing burden of work have all combined to exacerbate the problem.

Optimism – the defining US national characteristic – has declined to the point where more than half believe their children will not do better than they have done. Those are facts to influence elections.

Venezuela may adopt exchange rate band

By Stephen Fidler, Latin America Editor

The Venezuelan government is studying a switch to an exchange rate band system similar to that used by Colombia, Chile and Israel, its central bank president said yesterday.

A government group is investigating a shift from the current fixed exchange rate regime, Mr Antonio Casas said in London. The three other countries keep their exchange rates within a band, which depreciates according to past or expected inflation rates.

Mr Casas said Venezuelan reserves had recovered to near $10bn, making such a switch possible. The recovery was helped by unexpectedly high oil sales, strong non-traditional exports and the devaluation of the bolivar on December 11 from 170 to 290 to $1.

The government last week took steps to restrict the market in Venezuelan Brady bonds on the Caracas stock exchange, which had been used to determine an unofficial exchange rate. This had been indicating a widening gap between the unofficial and official exchange rates. Mr Casas said the Brady bond exchange rate had not indicated the true value of the bolivar because it was affected by many other factors. "What's more important is lifting exchange controls as soon as possible," he said.

The government is talking about a possible programme with the International Monetary Fund, but the two sides remain divided on various issues. Mr Casas said whether or not there was agreement with the Fund, a reduction of the fiscal deficit was essential.

The IMF is seeking a fiscal deficit of about 3 per cent this year. Mr Casas said, on unchanged policies, the country was heading for a 7-9 per cent deficit. The minister said one of the central sticking points was petrol prices. The IMF wants an increase to international levels; the government is resisting.

Mr Casas warned that the successful opening of the country's oil sector to private capital last week could divert attention from the need to restructure other areas of the economy.

Rallying around the flag of exports

David Pilling assesses Argentina's surge in sales abroad without a devaluation

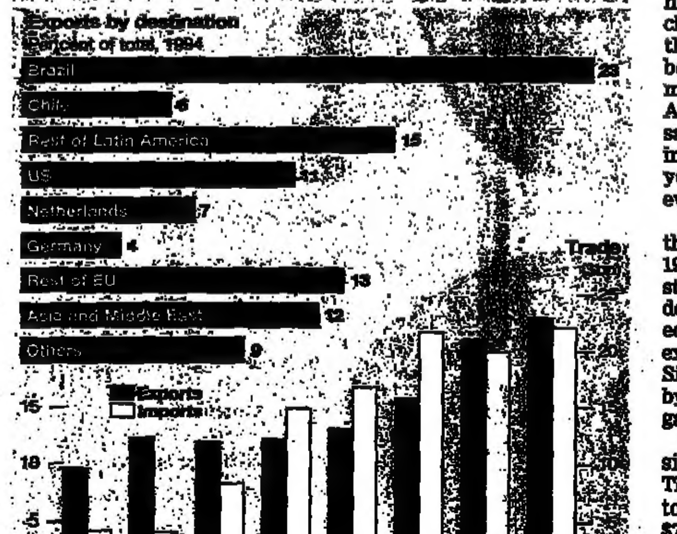
Argentina's economic statistics for last year make generally depressing reading. Gross domestic product was down, fixed investment was down, industrial production was down. But one figure shines like a beacon: exports were up, and by a huge 38 per cent.

It is no surprise, then, that the government has rallied around the export boom like a nervous army around its flag. The leap in foreign shipments to an estimated $21bn proves that Argentina is moving towards its dream of sustained export-led growth, the government argues.

The improvement, moreover, came without abandonment of the administration's economic cornerstone: peso-dollar parity. Argentina was not forced, like Mexico, to devalue, but managed to transform the 1994 trade deficit of $5.8bn into a surplus of nearly $1bn. Those who insisted that the peso was overvalued and that Argentine products could not compete abroad have been proved wrong, the government says.

Not everyone is convinced. Critics argue that much of last year's export surge was due to temporary factors, with little evidence of structural changes. Also, exporters have in recent years been subsidised by generous tax breaks, representing a disguised devaluation, they say. "We have the most overvalued currency in the world. In the long run, no country can grow under these conditions," says Mr Eduardo Conesa, an economist.

Indeed, economic stabilisation in Brazil, Argentina's main trading partner, and the consequent surge in Brazilian consumer demand helped boost Argentine exports enormously. Higher demand was compounded by the strength of the Real, Brazil's new currency, which appreciated strongly against the Argentine peso. In the first 10 months of last year, the period with the latest detailed figures, exports to Brazil rose 65.5 per cent against the equivalent period in 1994, to $4.53bn.



"Argentina indirectly devalued because Brazil revalued," says Mr Conesa. When Brazil's consumer boom cools, or if its economic reforms go awry, Argentina is in for a shock, he warns.

Argentine exports were helped by other factors. The peso, pegged to the falling US dollar, was indirectly devalued against several other currencies, notably those of Chile, Germany, the Netherlands, Belgium and France. With Brazil, these account for 45 per cent of Argentine exports.

Commodity prices, which leapt in the second half of 1995, also boosted the trade balance, since agricultural products, paper, iron and steel are large in Argentina's export list. Finally, a sharp drop in domestic consumer demand forced companies to channel their products abroad.

Those who argue that Argentine export performance is little more than a flash in the pan point to the last three months of 1995. As the recession slowed and Brazil's consumer boom tapered off, Argentina slipped into three months of trade deficit.

However, Mr Enrique Mantilla, Argentine Chamber of Exporters president, insists that Argentina's export sector has undergone structural changes. Productivity gains "in the order of 50 per cent" between 1990 and 1994 have made the manufacturing sector Argentina's most dynamic, he says. Such gains, with very low inflation (below 2 per cent last year), make Argentine goods ever more competitive.

Mr Mantilla says that, since the opening of the economy in 1991, export expansion has outstripped the growth of gross domestic product: in 1994, the economy grew 7.4 per cent, but exports increased 21 per cent. Since 1991, exports have risen by three quarters against GDP gains of a third.

Certain sectors are showing signs of genuine dynamism. The liberalised oil and gas sector increased exports from $766m in 1991 to $1.65bn in 1994, with a further 35 per cent gain in the first 10 months of last year.

Trade officials point to several other dynamic sectors. Exports of manufactured goods, petrochemical products, plastics and paper all rose 47 to 135 per cent in the first 10 months of 1995. "The surge – not just last year, but from 1991 onwards – shows that it is possible to increase exports sharply with a fixed exchange rate," says Mr Esteban Thomsen of Banco Privado.

There are several other sectors with big potential. Agriculture shows strong signs of improving productivity, with more use of intensive farming. Argentina will be greatly boosted if, as seems likely, the eradication of foot-and-mouth disease enables it to re-start long-banned exports of fresh meat. Mining, long ignored, should soon account for export revenues of $1bn a year, following the start of several big foreign projects.

Much of the foreign investment being directed at Argentina is export-related. As well as big companies, says Mr Mantilla, hundreds of smaller groups are joining the export drive, but he concedes that 300 corporations still dominate.

Brazilian demand may slacken but Argentina is now locked into a relationship with its northern neighbour through the Mercosur free trade bloc. Commitments to lower tariffs should make Brazil's huge market even more accessible.

Argentina has been slow to exploit less traditional markets, particularly those in Asia. But, even there, its companies are trying to build a presence.

However, the ability of exports to provide the motor for Argentine growth should not be exaggerated. Even last year, total trade only accounted for 15 per cent of GDP, compared with about 50 per cent in Chile.

Some Argentine trade officials speak optimistically of raising that proportion, in the medium term, to 35 per cent. Only then will Argentina be able to claim confidently that it is on the road to export-led growth.

NEWS: ASIA-PACIFIC

Industry in Japan gains momentum

By William Dawkins in Tokyo

Japan's industrial machine appears to be speeding up slightly, with a 3.3 per cent rise in output last year announced yesterday by the Ministry of International Trade and Industry.

This marks an acceleration from 1994, when production rose by 0.9 per cent, and will be received with moderate relief by the new government of Mr Ryutaro Hashimoto as a sign that last autumn's record public spending package is having an effect.

Industrial output rose by 1.6 per cent in December, from the same month the previous year, slightly higher than expected, said the ministry. December marked the third consecutive month of increase.

"Signs that the Japanese economy is leaving its stalled state have grown stronger," said Mr Tomio Tsutsumi, Miti vice minister, the ministry's top official.

Unlike the 1994 export-led rise in production, economists said this one was led by domestic demand. Miti officials cited as the main areas of increased production semiconductors, mobile telephones and construction materials, the last being in response to the public works spending in the government package.

Companies surveyed by Miti forecast production increases of roughly 1 per cent this month and next. That would give the longest run of increased industrial production in nearly five years, but officials warned that they were not yet confident enough to declare a full recovery.

They voiced concern over a small rise in stocks of unsold goods and materials last month, up by 1 per cent from the previous month after a 1.2 per cent month-on-month decline in November.

The increase, led by a sudden rise in stocks of semiconductors, left inventories 6.4 per cent higher by the end of the year, a clear disincentive to manufacturers to increase output significantly.

Economists in Tokyo attributed this rise to the fall in interest rates last September after the Bank of Japan's decision to halve the official discount rate to 0.5 per cent.

This made it cheaper for many companies to fund the cost of holding unsold goods rather than liquidate surplus stock, said Mr Chris Calderwood, senior economist at BZW Securities in Tokyo.

High inventories did not rule out a sustained recovery in industrial output, but merely indicated that the upturn would be shallow, he said.

Australia's gambling boom turns sour

Gaming profits are coming under pressure as more competing facilities are opened. Nikki Tait reports

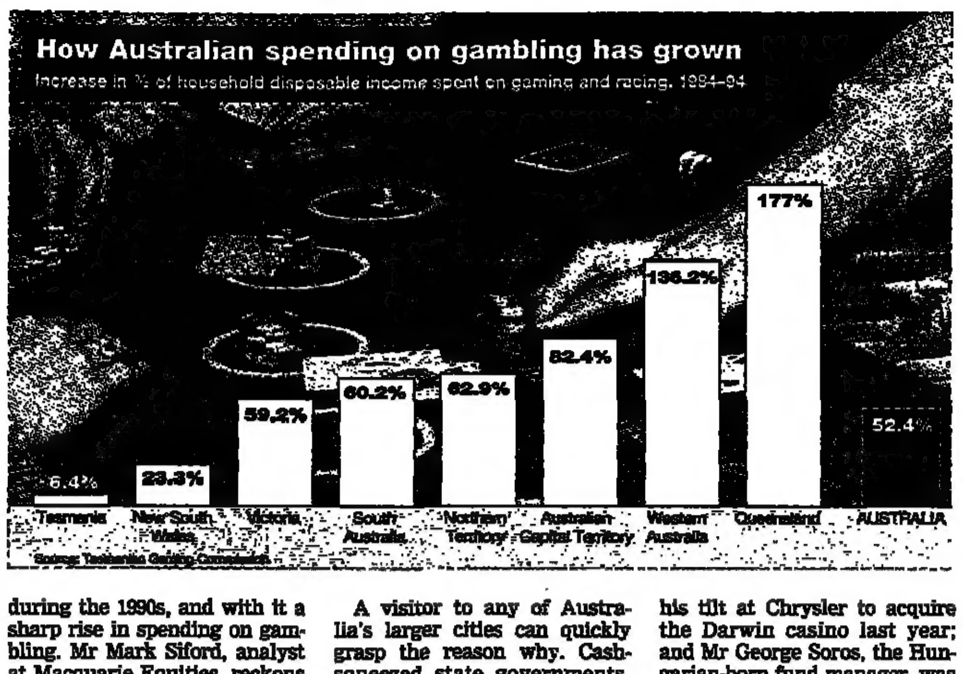
It is no secret that Australians love a wager. The nation is estimated to spend more then A$400 (£197) a head each year on betting activities, more than twice the level of the US and even more than Hong Kong's notoriously fortune-hungry population.

But after a sharp expansion of gaming facilities in the past three years, there are signs that Lady Luck may be deserting gambling operators. Shortly before Christmas, the new Sydney Harbour Casino – which opened in temporary premises last September while its giant A$1.2bn waterside complex is under construction – warned that it will not meet the profit forecasts outlined in last year's share prospectus.

Jupiters, which runs one of the older casinos on Queensland's Gold Coast and opened a 1,200-table Brisbane property last year, said it expected to see profits more than halve in the six months to December from last year's levels. Even Casinos Austria International, an offshoot of the large Vienna-based gaming group and manager of the Christmas Island and Canberra casinos, has cautioned that 1995 profits could fall because of the competitive climate.

"The stock market's view is that, yes, things are saturated, especially in some regional areas like Queensland and New South Wales," says an analyst at ANZ McCaughan, noting the slide in many gaming companies' shares.

The hiatus follows a surge in Australia's gambling facilities during the 1990s, and with it a sharp rise in spending on gambling. Mr Mark Siford, analyst at Macquarie Equities, reckons that Australia's net gambling expenditure – that is, the amount lost rather than wagered – may have topped A$8bn in 1995. In 1986-87 the figure was about A$3bn.



In contrast to the UK, this growth owes very little to lotteries or bingo. According to the Tasmanian Gaming Commission, the average growth in all gambling expenditures between 1989 and 1994 was about 14.9 per cent. But, while the rise in casino and gaming machine expenditures topped 20 per cent, lottery and bingo outlays showed only a 7.3 per cent rise.

A visitor to any of Australia's larger cities can quickly grasp the reason why. Cash-squeezed state governments, with an eye on the Asian tourist market, have taken an increasingly permissive attitude towards gambling properties. As a result, legal casinos have opened their doors for the first time in Canberra, Melbourne, Sydney, and Brisbane during the past three years. Cairns will join the list shortly.

The subsequent investment opportunities have attracted high-profile names. Mr Kerry Packer, the Australian businessman, snapped up a substantial stake in Melbourne's Crown Casino. Mr Kirk Kerkorian, the Los Angeles-based financier, took time off from his tilt at Chrysler to acquire the Darwin casino last year; and Mr George Soros, the Hungarian-born fund manager, was one of the backers of the Sydney property.

The new generation of Australian casinos differs from corresponding properties in either Europe or North America in two significant respects. First, the properties are situated in the heart of the country's biggest metropolitan centres. Second, they are not discreet gambling dens aimed at a well-heeled clientele, but flaunt their presence with mass-market advertising.

But the flood of new facilities has also led to ferocious competition. Shortly after the Sydney facility opened last year, for example, the 50-table Canberra property took full-page advertisements in the Sydney press. Punters were promised lack of queues and individual attention at "Australia's most civilised casino" – as well as cheap package deals.

Nowhere has this competition been sharper than for the premium players. Sydney Harbour Casino, which is part-owned by the Showboat group of the US, has complained that competitors with lower tax rates have been able to entice "high rollers" and "junket" parties – that is, the wealthier punters, often flown from elsewhere. It has even appealed to the New South Wales state government, whose licence terms were relatively ungenerous, for a reduced gaming tax on premium players.

Meanwhile, at the lower end of the market, New South Wales has also seen something of a rearguard action by the established social clubs. These have long been allowed to operate gaming machines, in contrast to most other states. Concerned about losing customers to glitzier casino rivals, they have plugged their attributes of convenience, cheap food, and entertainment with renewed force.

Quite how the industry will shape up in the longer term is unclear. Many observers think the roughest road will be faced by the older casinos, situated in some of Australia's smaller towns. Until the mid-1980s, casino properties running a few dozen tables in Tasmania and the Northern Territory had the market to themselves. Persuading punters to fly to Hobart or Launceston, when there are bigger facilities in Sydney or Melbourne, now looks an uphill task.

Nevertheless, there is still optimism that the market can grow substantially. Mr Silford predicts that net gaming revenues in Australia could reach A$11bn by the year 2000, with casinos accounting for a fifth of this. Even so, the cash flow accruing to the more successful operators may lead to takeovers and some consolidation.

Other analysts think fortunes will depend on geography. NSW and Queensland could be in for a tough battle, runs one argument, because of their ability to poach each other's customers. Victoria, which has been less exposed to legalised gaming in the past, and more isolated markets – such as Perth – could fare better.

Either way, controversy over the social effects of Australia's gambling boom is unlikely to disappear. Ever since the Melbourne casino opened its doors, tales of gambling-related problems have filled the local media. Late last month, the Victorian government agreed to restrict the number of gaming machine licences, pending the results of a social and economic impact study.

Critics saw the move as a political gesture, which would have little impact on existing gaming operators. But for community activists, it was the first official acknowledgment that Australia's gaming industry has simply grown too fast.

Former Elders IXL chief goes on trial


Elliott during the acquisition boom

By Nikki Tait in Sydney

Two years after charges of theft were first brought against Mr John Elliott, the trial of the Australian businessman and former head of the Elders IXL brewing and agribusiness group got under way in Melbourne yesterday.

Also charged with Mr Elliott are three other former executives of his Elders IXL group – one of Australia's leading companies in the 1980s, whose acquisition trail included the purchase of Britain's Courage brewing business – and two former employees of the Bank of New Zealand.

The charges against Mr Elliott comprise two counts of theft involving a total of A$66.5m (£32.7m), plus one count of conspiracy to defraud and one count of false or misleading evidence.

The Victoria director of public prosecutions has alleged that Mr Elliott attempted to conceal the theft under the guise of two fictitious foreign exchange transactions.

Mr Elliott, a former president of the opposition Liberal party, has denied the charges, and claimed to be embroiled in a political conspiracy.

The trial is set to be one of the most complex and costly in Australian corporate history. But it began on a low-key note yesterday, with barristers involved in legal argument. The large media throng, able to watch proceedings on closed-circuit television in an adjoining room, badgered court authorities to have camera angles altered so Mr Elliott was visible. A jury has yet to be selected.

Nevertheless, the Elliott proceedings are likely to be scrutinised closely. There has been concern in Australia over the very slow speed at which cases involving former entrepreneurs of the 1980s have been proceeding. To date, there have been few successful prosecutions, and a couple of individuals - including Mr Christopher Skase - have eluded the legal process by moving overseas.

Action against the likes of Mr Elliott and Mr Alan Bond, meanwhile, is getting under way more than half a decade after the alleged offences took place.

Blow for privatisation programme

Pakistan bank sale off again

By Farhan Bokhari in Islamabad

Pakistan's privatisation programme yesterday suffered a further setback after the sale of the country's second largest bank was put off for a third time.

The planned sale of United Bank (UBL) was stopped after neither of the two main contenders turned up to submit formal offers, fuelling concerns that a deal might not go through at all in its present form.

The government announced last night that it had decided to give another two weeks to the two Middle Eastern groups – Faysal Islamic bank of Bahrain and Saudi Arabia's Bisharahil group – to submit final offers. A visibly distressed Mr Naveed Qamar, chairman of Pakistan's privatisation commission, said: "Unfortunately we have a situation where there is an anti-climax and we do not have a bidder at this moment."

Mr Qamar's announcement came after the Saudi group sent an offer without financial guarantees of Rs300m (£5.8m) required by the government. The offer was declared invalid. Faysal Islamic Bank had informed the Pakistani government last week that it was not sending an offer.

The decision of the bank apparently followed its failure to win assurances from the government that it would be given soft loans to help restructure the bank following its privatisation, Pakistani officials said.

The delay in UBL's privatisation provided a further opportunity to critics who claim the deal had not been properly planned.

Mr Sartaj Aziz, a former finance minister and now an opposition senator, demanded that the government should scrap the deal and invite fresh offers where Pakistani investors should be encouraged to put in bids, rather than relying on foreign buyers.

Mr Nessar Ahmed, president of Cresbank, a private investment bank, said the government should first take steps to make UBL financially viable.

Mr Tariq Saigol, president of the Chamber of Commerce at Lahore, warned: "It is of critical importance that UBL is privatised so that a delay doesn't cause a setback to Pakistan's plans for privatising other state owned companies this year."

Many analysts say the difficulty in privatising UBL largely concerns non-recoverable loans in its portfolio. Some businessmen say almost a third of the bank's loans may fall into that category. Mr Saigol said the government should settle for getting "a very low price" for UBL because of a large hole in its balance sheet.

ASIA-PACIFIC NEWS DIGEST

Keating starts election battle

Mr Paul Keating, Australia's prime minister, took to the campaign trail yesterday to fight for his 13-year-old government's survival, as polls showed the opposition's hefty lead had widened sharply. New poll results show the conservative opposition's lead widening to as much as 14 percentage points since the March 2 election was announced on Saturday, raising its hopes of beating Mr Keating's Labor government. Mr Keating dismissed the polls' significance and Mr John Howard, his opposition rival, warned his supporters not to be seduced by the strong lead so early in the campaign.

Yesterday's polls show Labor's support was 36 per cent compared with the opposition coalition's 50 per cent. Before the poll announcement the government was behind the Liberal and National parties by 7-8 points. *Reuter, Canberra*

Visitors to Singapore at 7.14m

The number of visitors to Singapore last year was 7.14m – more than double the island state's population – and officials said they expected the figure, up 3.5 per cent, to grow a further 3 to 5 per cent in 1996. Mr Tan Chin Nam, Singapore Tourist Promotion Board chief, said preliminary estimates indicated that tourism brought in S$11.6bn (£5.46bn) last year, an increase of 6.4 per cent.

An 8 per cent increase in hotel rooms led to a drop in the average occupancy rate of 2.5 percentage points to 84.1 per cent. Average room rates rose 3.2 per cent to S$148. Mr Tan said Singapore expected the number of hotel rooms to grow 8.6 per cent in 1996, to 29,846. *Reuter, Singapore*

Japanese court jails US marine

A Japanese court sentenced an American marine serving in Okinawa to 11 years in prison yesterday for killing his Japanese girlfriend with a hammer last year. Court officials said Private Joshua Hill, 21, was found guilty of murdering 24-year-old Ms Kanako Kinjo in May last year. The verdict came as prosecutors in a separate case at the same court demanded 10-year sentences and forced labour for each of the three US servicemen accused of raping a 12-year-old Japanese schoolgirl in September. The prosecutors told the Naha District Court that Seaman Marcus Gill, 23, and Private Rodrico Harp, 31, had both raped the girl while the third defendant, 20-year-old marine Private Kendrick Ledet, had intended to. *AFP, Naha*

More Japanese go to the movies

The number of moviegoers in Japan reached 127m in 1995, up 3.3 per cent from 1994's record low level, the Motion Picture Producers Association of Japan said yesterday. It said the number of cinemas last year rose 1 per cent to 1,776, a year-on-year rise for the second consecutive year. Revenues for distribution of both Japanese and foreign films increased to Y68.47bn (£426m) in 1995, up 6.7 per cent. Revenues earned from distribution of foreign films accounted for 63 per cent of the total, the association said. *Kyodo, Tokyo*

Monks in a fury over beer brand

A brewery in eastern China has been forced to discontinue production of its Buddha brand beer after being taken to court by local monks furious at the brand's sacrilegious logo. The official China Daily said yesterday the dispute arose last June when monks at the Dafo monastery in Zhejiang province took exception to the name and logo used on a new line of Buddha beer made by the Xinchang brewery. The logo was the same as that used by their monastery. The brewery denied any "evil intentions" in selling the beer, but in a final settlement, cancelled further production of the beer, offered 5,000 yuan (£400) in compensation for the monastery's "loss of face", and made a public apology. *AFP, Beijing*

Trial starts for Malaysian opposition politician

Mr Lim Guan Eng (*pictured above right with his counsellor*), a leader of Malaysia's main opposition party, went on trial yesterday on charges of "spreading hatred" in a case that has drawn concern from international human rights groups, Reuter reports from Malacca. Mr Lim, deputy chief of the Democratic Action party, has pleaded not guilty. He faces up to six years in jail and disqualification from parliament for publicly criticising the government's handling of an investigation into statutory rape allegations against the chief minister of the west coast state of Malacca.

Mr Lim said before entering the court his trial was "nothing less than an exercise to silence voices of dissent". Amnesty International said last week: "This appears to be a political trial, designed to intimidate dissenting voices."

Unctad chief pledges sweeping reforms

By Frances Williams in Geneva

Mr Rubens Ricupero, head of the United Nations Conference on Trade and Development, plans a big shake-up of the much-criticised organisation which he hopes will increase involvement of the private sector and make Unctad a model for reform at the United Nations.

"There is a need for fundamental change in the manner in which Unctad goes about fulfilling its mandate in trade and development," Mr Ricupero says in his report to Unctad's ninth ministerial conference in South Africa in April.

The former Brazilian finance minister, who took office last September, is currently discussing sweeping reorganisation proposals to prune Unctad's sprawling workload and cut jobs, especially at senior levels.

The aim of the changes, says Mr Ricupero, is to sharpen the organisation's focus on a few key development issues where Unctad can make an impact, make its work more "action-oriented" and give the private sector a greater say in its deliberations.

By involving multinationals, private investors, non-governmental organisations, universities and research centres, Unctad could become "a real partnership for development" and "a model of what a truly international agency of the 21st century should be," Mr Ricupero argues.

> 'There is a need for fundamental change in the way Unctad goes about fulfilling its mandate'

Created in 1964 as the main UN forum on development issues, Unctad gained a reputation in the 1980s for sterile ideological debate which it has found hard to shake off despite reforms since the last ministerial meeting in 1992.

More recently, a number of UN critics have singled it out for possible abolition on the grounds, rejected by Unctad, that it duplicates activities of the World Trade Organisation.

Then, last month, the UN's office of internal oversight services issued a report describing Unctad as "overstaffed and top-heavy", with too much overlap and lack of co-ordination between programmes.

The report, compiled before Mr Ricupero's arrival, said Unctad could shed 10 per cent of professional staff and up to 20 per cent of general service staff with little impact on output.

The Unctad chief says he will be taking the audit report into account in his restructuring plans.

While still undecided, the number of job losses is unlikely to be less than the 10 per cent or so in staffing cuts now being demanded throughout the UN in response to its financial crisis.

Unctad, which answers to the UN secretary general, has about 480 staff, mostly in Geneva, and an annual budget of about $80m.

More Mars probes planned

Twenty years after the Viking missions to Mars found a lifeless red planet, scientists are preparing to look again, writes Clive Cookson, Science Editor.

The US, European and Russian space agencies are planning a series of unmanned landings on Mars over the next decade, a conference in London heard yesterday.

A prime objective will be to look for signs of primitive life – either alive now or fossilised traces.

"Most of us think there's a significant chance that there is or has been life on Mars," said Professor Malcolm Walter of Macquarie University in Australia, who chaired the Ciba Foundation conference.

Mr Jack Farmer of Nasa's Ames Research Centre in California, chief investigator on the US space agency's Martian life project, said the first Mars Pathfinder mission was due for launch in December.

Experts on primitive micro-organisms gave several reasons for growing optimism about finding life on Mars, at least in fossilised form:

- Microbes are being detected in more and more extreme conditions on Earth.
- The geological history of Mars shows that it was once covered with oceans and seething with volcanic activity.
- Every few million years the impact of a large asteroid or comet throws rocks and dust into space from both Earth and Mars. Such a huge explosion could carry microbes from one planet to the other, said Prof Paul Davies of the University of Adelaide.

UN set to talk about $2bn Iraq oil sales

Talks on the possible sale by Iraq of up to $2bn worth of oil to pay for imports of food and humanitarian supplies will open in New York next Tuesday, the United Nations announced yesterday. The talks will be in the context of a resolution adopted by the Security Council last April, which Iraq has repeatedly refused to implement arguing that the conditions under which oil exports would resume were too rigorous, writes Michael Littlejohns at the United Nations.

The resolution calls for strict UN control of sales, some proceeds of which would compensate Kuwaiti victims of Iraq's aggression. Mr Boutros Boutros Ghali, the UN secretary general, has been pressing Baghdad to relax its objections to the so-called "food for oil formula".

Iraq's delegation will be led by Mr Abdul Amir Anbari, who was Baghdad's chief UN representative during the Gulf war. Mr Hans Corell, the UN's chief legal counsel will lead the UN team.

A possible eventual entry of Mr Tariq Aziz, the deputy prime minister, might provide a hint whether Iraq would accept the formula.

There have been persistent reports of the plight of Iraqi civilians, especially children, because the country has virtually exhausted foreign currency needed to purchase food and medicines. Iraq's economy has been devastated by sanctions imposed by the Security Council in August 1990, after Iraq invaded Kuwait.

An economic future Israelis are ignoring

Julian Ozanne and Quentin Peel listen to the vision of Israel's Likud party opposition leader

Mr Benjamin Netanyahu, leader of the Israeli rightwing opposition Likud party, is a man with a glowing vision of Israel's economic future.

He believes the country could double its per capita income and double its population in the next 15 years to become a high-technology "tiger".

He advocates sweeping privatisation of state-owned enterprises, and deregulation of business, to push Israel into the ranks of the top 15 economies in the world.

Unfortunately for him, he is not sure the Israeli voters are bothered. "They are just not going to pay attention to this," he said in an interview.

It led to a sharp backlash against the Likud party and galvanised the country behind Mr Shimon Peres, Rabin's successor.

Recent polls show Mr Netanyahu trailing Mr Peres by at least 20 points.

Yet the Likud leader believes many Israelis are deeply uncomfortable with the peace agreement with the Palestinian leader, Mr Yassir Arafat. "The Israeli public... don't want a fully fledged Palestinian state touching every part of Israel," he said.

Mr Netanyahu is a US-educated, fast-talking 46-year-old, in sharp contrast to his more traditional Likud predecessors – Mr Menachem Begin and Mr Yitzhak Shamir.

Benjamin Netanyahu is a US-educated, fast-talking 46-year-old, in sharp contrast to his more traditional Likud predecessors

"The agenda is dominated by something else... Israel is probably the most advanced semi-socialist economy in the world. But they just don't know exactly what I am talking about. Things are not bad enough for them to cry out for change."

As he admits, the elections, due by October 29 this year, will be decided above all by attitudes towards the Arab-Israeli peace process. And on that dominant electoral issue he faces an uphill battle convincing voters he has a viable policy.

Mr Netanyahu was making headway last year against Labour Prime Minister Yitzhak Rabin's peace agreement with Palestinians.

Throughout 1995, opinion polls put him well ahead of Mr Rabin in a country deeply divided about its difficult relationship with its Arab neighbours.

Mr Rabin's murder last November by a rightwing assassin changed all that.

He says the Israeli-Palestinian agreements have failed on two levels.

First, they have not delivered acceptable security guarantees.

Second, Mr Arafat, unlike King Hussein of Jordan, has not genuinely embraced peace with Israel and made efforts to achieve a psychological transformation in Palestinian society from enmity to peace.

Mr Arafat, he says, continues to talk about "Jihad" or holy war against Israel. He refuses to abrogate the Palestinian covenant calling for the destruction of Israel and publicly fetes Islamic guerrillas responsible for scores of attacks against Israelis.

Mr Netanyahu's alternative policy to a peace process expected to produce an independent Palestinian state centres on a highly limited form of autonomy.

Palestinians would run their basic affairs in populated areas but Israel would maintain sovereignty and full security responsibility for the entire West Bank and parts of the Gaza Strip.

The problem with this policy, as most Israelis know, is that no Palestinian leader would have signed such a deal. Furthermore, peace with Jordan and normalisation of relations with other Arab states, would have been impossible without the Palestinian agreement.

Mr Netanyahu also rejects Mr Peres' view of the economic benefits to Israel from regional integration in a new Middle East.

Israel is likely to continue to expand its trade to developed industrial and post-industrial markets in North America, Europe and Asia and not find trade opportunities in neighbouring Arab states.

Instead Mr Netanyahu sees an Israel continuing to develop its high-tech sector based on education and a labour force with skills adapted to the information economy.

If the right policies are adopted up to 250,000 new Jewish immigrants from North America and Europe could be encouraged to move to Israel to expand its 5.2m population.

Israel could grow by 8-10 per cent a year, based on the large availability of manpower in the country's huge defence industries. These have advanced scientific, design and computer skills which could underpin new high-tech information products.

Mr Netanyahu is deeply critical of government education policies. "They have taken a lot of money and increased teachers across the board. Idiotic. Total waste of resources," he says. Instead, individual teachers should have been rewarded differentially on merit, the school day expanded and extra money spent on developing a technological curriculum.

Unlike previous Likud leaders, Mr Netanyahu, a graduate of the Massachusetts Institute of Technology, is more attuned to the new information age. He is often credited with having been a prime force in the "Americanisation" of Israeli politics and the introduction of the sound-bite quote.

But his personal political style, like that of his economic vision, seems unlikely to win many votes.

Nevertheless, he believes the flaws in the agreement and the fears among Israelis about their future security will prove an electoral asset and he is confident he can win the elections.

"The main transformation we shall effect is in the economic and social position of Israel. It is one of those paradoxes where Rabin was elected on a domestic reform programme and effected an external transformation of foreign policy. I will do the precise reverse."

Gunmen kill eight in S African jobs queue

By Roger Matthews in Johannesburg

South Africa's two most critical problems – unemployment and crime – were tragically underlined yesterday when gunmen murdered eight men and wounded 23 others queueing for work outside a factory in the south-eastern suburbs of Johannesburg.

Gunmen opened fire on the queue of about 2,000 people with semi-automatic AK-47 rifles and pistols.

The queue had formed in response to advertisements offering permanent jobs for 200 unskilled workers at the plant of NF Die Casting, which produces light alloy wheels for the motor industry.

The plant, which is owned by Anglo American, South Africa's largest conglomerate, currently employs 350 people.

In response to the booming motor industry, a third shift is to be introduced at the plant and training is being offered to new recruits to raise their status to semi-skilled.

The police said they could not be sure of the motive for the attack, but suggested it might be related to desperate competition for work between racial groups.

Although political killings have fallen sharply since the April 1994 general elections, except in the province of KwaZuluNatal, other forms of crime have continued to rise. Yesterday's shootings appear to be the first time it has spilled over so violently into the industrial sector.

The African National Congress, which heads the government of national unity, said whatever the motivation, including the possibility that a "third force" was seeking to destabilise the country, it would not allow a situation "where violence and anarchy becomes the order of the day".

However it is struggling to find policies to stem either the rise in unemployment, or the continuing increase in crime.

Economists say growth of over 3 per cent in gross national product last year, and forecasts of close to 4 per cent in 1996 will not be enough to check the rise in unemployment, officially running at over 33 per cent of the workforce.

Unemployment in the country is much higher in the black community, and less than 10 per cent of the 350,000 new entrants to the job market are expected to find formal work this year.

Within hours of yesterday's killings, several hundred people were again queueing outside the NF Die Casting factory, but recruitment had been suspended until a new security system was in place.

LEGAL NOTICES

No. 00145 of 1996
IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
COMPANIES COURT
IN THE MATTER OF
FENNER PLC
AND
IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was on 10 January 1996 presented to Her Majesty's High Court of Justice for the cancellation of the above named Company's share premium account as at 13 December 1995. AND NOTICE IS FURTHER GIVEN that the said Petition is directed to be heard before a Registrar of the Companies Court at the Royal Courts of Justice, Strand, London, WC2A 2LL on 7 February 1996.

Any creditor or shareholder of the Company desiring to oppose the making of an Order for the confirmation of the said cancellation of share premium account should appear at the time of hearing in person or by Counsel for that purpose. A copy of the said Petition will be furnished to any such person requiring the same by the undermentioned solicitors on payment of the regulated charge for the same.

Dated 25 January 1996
Nabarro Nathanson
50 Stratton Street
London
W1X 6NX
Tel: 0171 493 9933
Fax: 0171 629 7900
Ref: BA/WXT/F050/18
Solicitors for the Petitioning Company

Worries over length of repayment period for $1.4bn power station expansion plans

Banks lukewarm on Saudi loan

By Robin Allen in Manama

The first approach by the Saudi power sector to international banks to help finance a $1.4bn expansion scheme has received a lukewarm response.

Saudi Consolidated Electric Company for the Eastern Province (Sceco-East) is proposing to raise up to $500m as part of its plan to increase capacity at its Ghazlan power station. The total cost of the project, known as Ghazlan II, is estimated at some SR5.3bn ($1.4bn).

Sceco-East is the largest of the kingdom's four consolidated regional power companies with an annual total capacity of almost 9,000MW.

Although managed autonomously, Sceco-East is more than 90 per cent owned by the government and Saudi Aramco, which also supplies all of Sceco-East's fuel and buys 28 per cent of its power.

Sceco-East is proposing the bank financing be available during a five-year period from the date of signature, with 13 half-yearly repayments starting six months after the last draw-down of the final loan instalment.

According to officials, the loan could be in either Saudi riyals or US dollars, with the currency of repayment to be negotiated.

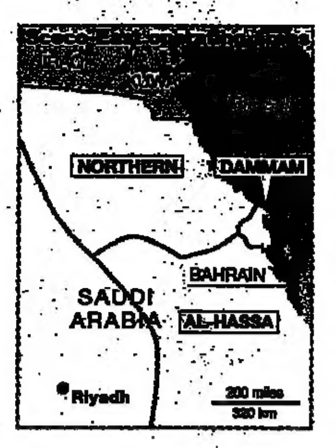
Jurisdiction applying to the loan is also up for negotiation. Slightly more than $850m – 60 per cent – of the funding will come from operating revenue and a further $133m from an unidentified "customer", thought to be Saudi Basic Industries Corporation (Sabic), another big user of Sceco-East's power.

Apart from the uncertain political climate, international banks are understood to be concerned about the 11-year length of the loan period, not only in relation to the proposed start of repayments, but also because technically Sceco-East ceases to exist as a corporate entity after 2006, one year before a loan would mature.

Although officials describe this "technicality" as "not a gigantic problem", it is an anomaly commercial bankers would rather do without.

All of the country's electricity companies have built up billions of dollars worth of losses since their inception in the mid-1970s.

But the picture is distorted by price anomalies and state subsidies covering 95 per cent of total power costs. As a result some cash flow assumptions on which the loan proposal is based are also being questioned.



While Saudi Aramco always pays its bills for power consumed, Sceco-East owes some SR5bn to Saudi Aramco for fuel, unpaid since 1986. This is rather more than Sceco-East's paid-up capital of $1.1bn.

Officials point out these monies are outstanding obligations from one government entity to another, and could in theory be cancelled out. But their existence does not reassure many bankers.

Many of the international banks reviewing the proposals regard the loan proposal in its present form as less a commercial risk; more a political gamble on oil prices rising over the next decade so the government can pay off some of its internal debts.

But some bankers add that it must also allow Sceco-East and the other loss-making power companies to charge consumers full market prices for electricity. Failing this, the electricity companies, bankers say, are not a viable commercial risk.

Investment in the Gulf, Page 15

Trying to stop profits leaking away

Manila is looking to Buenos Aires for water privatisation prowess, writes Edward Luce

At Manila's public water authority everybody seems to be talking about Buenos Aires. The Argentine capital's privatised water system is being cited as a model for the planned auction of Manila's state-owned – and notoriously sieve-like – water system.

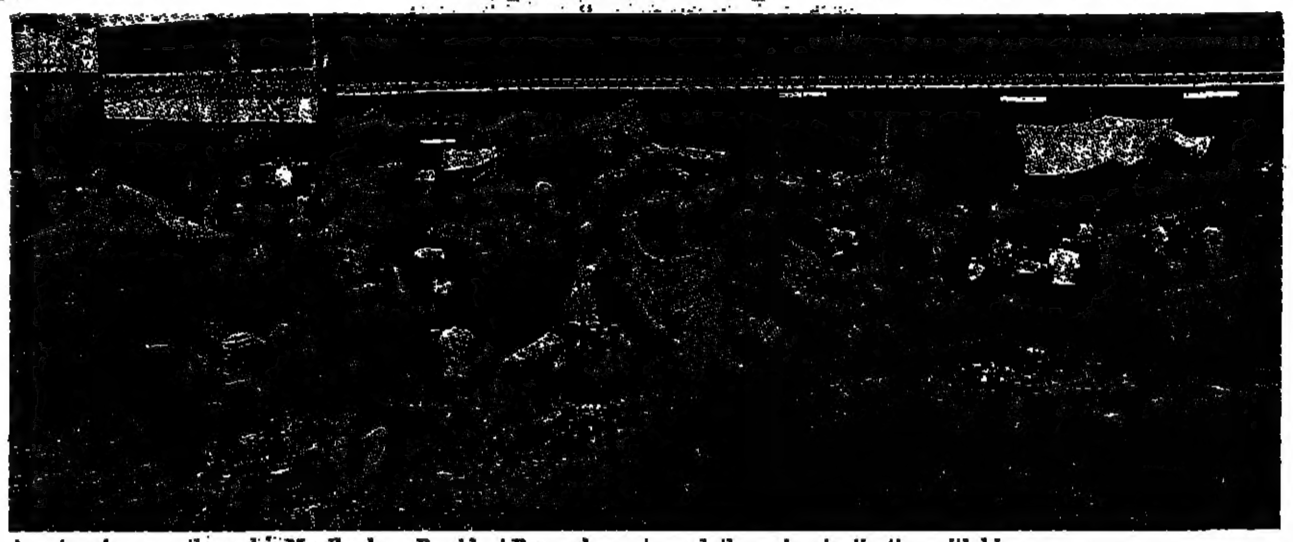
The International Finance Corporation (IFC), the private sector arm of the World Bank, was recently hired as the lead consultant of the Philippine water privatisation plan. The IFC said the sale of water concessions to foreign companies in Buenos Aires led to some pleasant surprises.

Contrary to popular fears, the change of ownership in Buenos Aires resulted in lower tariff rates than under state control. At the same time the new owners, or concession holders, led by Lyonnaise Des Eaux, spent large sums modernising the city's outdated water distribution network. Manila's water chiefs are understandably wondering how Buenos Aires managed to square this circle.

"Buenos Aires, like Manila, lost a large proportion of its water to theft and leakage," says Mr Scott Macleod, head of IFC's water team in Manila. "Big savings were therefore easily made by the simple task of improving metering, mending pipes and monitoring the results."

IFC economists believe that Manila, which it is estimated needs $4bn investment in capital spending to update its water system, can pull off the same feat. In private, however, they concede that the task is much easier said than done.

More than half of Manila's daily water supply is frittered away through leaky pipes and theft, costing Philippine taxpayers an estimated 3bn pesos ($114m) a year. By some accounts this has also cost the Philippine capital several potential foreign investors.



A water pipe runs through a Manila slum: President Ramos hopes to push through privatisation with his emergency powers Reuter

Since President Fidel Ramos was granted one-year emergency powers last June, water privatisation has become one of the hottest political issues in town. The need to improve Manila's water system as quickly as possible and the need to overcome domestic opposition to foreign ownership of water utilities means that the IFC is working to a very tight schedule.

"We hope to submit the blueprint for privatisation to President Ramos by next spring," says Mr Macleod. "The sell-off should take place by the end of 1996."

Manila's water chiefs, inundated with unsolicited bids from foreign companies since June last year, privately admit that overcoming nationalist opposition to foreign water ownership will be difficult. The public body's workforce of 9,000 will have to be cut, while there is no guarantee that tariffs will fall. If things go wrong foreign companies would become scapegoats.

More than half of Manila's daily water supply is frittered away through leaky pipes and theft

"The closer foreign companies get to the consumer the more the consumer notices," said a foreign water executive in Manila. "This means that the privatisation formula is going to have to be very carefully prepared." Here again, Buenos Aires might provide the answer.

Under Philippine law foreign ownership of strategic industries is limited to 40 per cent. A separate constitutional clause also gives priority to domestic companies in bids for privatisation contracts. The courts have frozen several privatisations recently at the behest of losing Philippine bidders.

Legal experts say that the Argentine "concessionaire" model could be just the loophole the government is seeking. Under this scenario foreign companies would be given a franchise – rather than legal ownership rights – to run water utilities for a specified period and would therefore be protected from national ownership disputes. In Buenos Aires foreign companies were granted 30-year franchises.

"This is probably the most important issue facing the government," said the foreign water executive. "Local companies simply don't have the management skills or the technology to carry out the job and foreign companies won't get involved in such a risky business unless they have secure legal protection and majority control of the corporations they are running."

Despite this, the IFC and the Philippine government are confident that the legal problems can be ironed out before the president's emergency powers lapse on July 12. In the meantime the queue of interested foreign water companies lengthens. "We've organised at least three separate water company tours of Manila," said a European commercial attaché in Manila. "And this is just the start of the process."

EU set to start talks on S Africa trade area

By Caroline Southey in Brussels

EU foreign ministers were last night set to clear the way for an early start to negotiations with South Africa on a wide-ranging trade agreement, including the eventual creation of a free trade area.

Foreign ministers agreed they would give the final go-ahead for a negotiating mandate at next month's foreign affairs council meeting after assurances that EU agricultural products would be protected under the terms of the pact.

Resistance to the deal, particularly from France, Germany and some southern member states, threatened to delay the opening of negotiations and the possibility of concluding a deal by the end of the year.

Talks on the terms of the mandate had been stalled since early December after France, backed by Germany and Portugal, demanded that the Commission complete a study on the advantages and pitfalls of the accord before negotiations could begin.

Mr Hervé de Charette, the French foreign minister, insisted that, under terms agreed by foreign ministers in June last year, the Commission was obliged to produce an impact study before entering talks on a free trade area.

In a letter to the president of the Council of Ministers at the end of last week Mr Charette said France found it "impossible to accept that on the first occasion of its application the rules and procedures we defined last year are not being respected".

But, in a concession that appears to have opened the way for agreement on a mandate, Mr Charette added that France would be prepared to accept that detailed studies, product by product, could be supplied "during the course of negotiations".

The Commission is expected to produce three reports – on the effect of the trade agreement on the EU's commitments to the World Trade Organisation, on common EU policies and on trade with third parties – during the few months.

It has also undertaken to produce a general study on the impact of the trade deal ahead of next month's meeting of foreign ministers.

A further sticking point was the compilation of a list of agricultural products which member states thought should be protected, and therefore excluded, from the trade deal. The Commission's initial list of a dozen products, including fresh fruit products, canned fruit and fruit juices, was rejected as "too short" by France, Germany, Spain and Italy.

WORLD TRADE NEWS DIGEST

US in Taiwan engine venture

Taiwan and Allied Signal, a US aircraft maker, are planning a $22m joint venture to produce gas turbine engines in Taiwan. The Aero Industry Development Centre (AIDC), a research arm of Taiwan's defence ministry, is to take a 41 per cent stake in the venture with Allied Signal holding the remaining shares. Agreements are to be signed in March.

The two sides aim to complete a prototype of the IE-142 gas turbine engine in the second half of 1997 and begin production in early 1998. Taiwan is seeking to develop a domestic aerospace industry partly through co-operation with foreign aircraft and aircraft components manufacturers. The government will convert AIDC into a state-run commercial enterprise on July 1 this year to help develop the fledgling aerospace industry. *Laura Tyson, Taipei*

Industrial park for Indonesia

Taiwan plans to invest $15m to build an industrial park in Indonesia in an effort to encourage Taiwanese manufacturers to diversify their overseas investments. Construction of the 70-hectare industrial zone on the island of Sumatra is to begin in May and will be completed in mid-1997.

Taiwan's economics ministry hopes to attract some 60 Taiwanese companies to invest $200m in the zone. Seven have already applied. The Taiwanese government is keen to keep local manufacturers from becoming too dependent on China as a production base. *Laura Tyson*

Hydro Aluminium in Poland

Hydro Aluminium Extrusion, the Norsk Hydro subsidiary and the world's biggest producer of soft alloy aluminium extrusions, is to spend about $15m on a plant at Chrzanow, west of Krakow, Poland. Initially the plant will produce 8,000 tonnes of extrusions a year and Hydro expects turnover in 1997 to reach $18m. It will employ 70 people at first, and this could rise to 200 or 300 in three to five years, depending on the pace of growth. The plant's main customers will come from the Polish construction industry. *Kenneth Gooding, Mining Correspondent*

■ ABB, the Swiss-Swedish engineering combine, has won a $400m order for a power plant for Korea Electric Power, the South Korean utility. The order is for eight GT24 gas turbines and other equipment for a 2,000MW plant at Poryong, 180km south-west of Seoul. *Stefan Wagstyl, Industrial Editor*

■ GEC Alsthom, the Anglo-French engineering group, has a won a £95m ($146m) order for a 210MW plant in Thailand. The company will provide four gas turbines. *Stefan Wagstyl*

INTERNATIONAL ECONOMIC INDICATORS: BALANCE OF PAYMENTS

Trade figures are given in billions of European currency units (Ecu). The Ecu exchange rate shows the number of national currency units per Ecu. The nominal effective exchange rate is an index with 1985=100.

■ UNITED STATES

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1985	279.8	–174.2	–163.0	0.7623	100.0
1986	231.0	–140.6	–153.4	0.9836	81.4
1987	220.2	–131.8	–144.1	1.1541	71.9
1988	272.6	–100.2	–107.4	1.1833	67.0
1989	330.2	–99.3	–94.3	1.1017	70.0
1990	309.0	–79.3	–72.7	1.2746	66.7
1991	340.5	–53.5	–6.0	1.2391	65.7
1992	345.9	–65.2	–47.5	1.2957	64.4
1993	397.3	–96.7	–85.4	1.1705	66.3
1994	432.3	–127.0	–127.6	1.1857	65.1
4th qtr.1994	110.8	–32.3	–35.1	1.2346	63.3
1st qtr.1995	111.4	–32.6	–30.9	1.2619	62.7
2nd qtr.1995	110.1	–33.1	–32.8	1.3175	59.0
3rd qtr.1995	113.3	–31.2	–30.3	1.3020	61.0
December 1994	38.9	–9.9	n.a.	1.2126	64.4
January 1995	36.8	–12.0	n.a.	1.2374	64.0
February	37.2	–10.7	n.a.	1.2455	63.3
March	37.4	–9.9	n.a.	1.3029	60.8
April	36.0	–11.1	n.a.	1.3279	58.7
May	37.6	–10.8	n.a.	1.3055	59.1
June	36.6	–11.2	n.a.	1.3192	59.0
July	35.3	–11.5	n.a.	1.3335	59.2
August	36.5	–9.7	n.a.	1.2954	61.3
September	39.6	–10.0	n.a.	1.2772	62.5
October		–9.5	n.a.	1.2977	61.9
November				1.2954	62.2

■ JAPAN

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1985	228.2	73.5	64.5	180.50	100.0
1986	208.9	94.2	87.2	165.11	127.7
1987	194.7	83.7	75.5	166.58	138.8
1988	218.7	79.8	67.0	151.51	153.7
1989	245.5	70.6	53.4	151.87	147.0
1990	220.0	50.0	28.5	183.94	132.5
1991	247.6	83.3	82.4	166.44	143.7
1992	254.8	102.1	90.4	164.05	150.7
1993	300.0	120.8	111.1	130.31	181.0
1994	323.6	122.5	108.8	120.99	194.9
4th qtr.1994	81.1	28.5	24.4	122.03	197.6
1st qtr.1995	82.0	27.7	22.8	121.16	202.1
2nd qtr.1995	87.5	29.1	23.4	111.31	225.3
3rd qtr.1995	81.2	25.1	22.7	122.36	203.7
December 1994	27.9	9.9	8.6	121.44	196.6
January 1995	25.8	8.4	7.6	123.32	196.1
February	28.7	9.8	8.2	122.27	198.1
March	27.5	9.6	7.0	117.89	211.3
April	29.1	8.8	6.2	111.24	226.8
May	29.0	9.9	8.0	111.17	224.4
June	29.4	10.4	9.2	111.51	225.1
July	26.7	7.8	7.2	116.38	217.2
August	28.1	9.5	8.7	122.52	202.6
September	26.5	8.1	6.8	128.19	191.6
October	25.5	6.0	4.2	130.78	188.8
November	26.9	8.0	6.5	131.98	186.6

■ GERMANY

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1985	*242.7*	*33.2*	*22.5*	*2.2260*	*100.0*
1986	*248.5*	*53.5*	*41.3*	*2.1279*	*108.6*
1987	*254.4*	*56.7*	*40.0*	*2.0710*	*114.9*
1988	*272.6*	*67.4*	*41.9*	*2.0739*	*114.1*
1989	*310.1*	*65.2*	*52.0*	*2.0681*	*113.3*
1990	324.3	51.7	38.5	2.0537	118.1
1991	327.3	11.0	–15.6	2.0480	117.1
1992	330.5	16.6	–16.7	2.0187	120.6
1993	323.0	31.4	–13.4	1.9337	125.3
1994	358.8	37.9	–17.1	1.9198	125.6
4th qtr.1994	93.2	9.3	–4.4	1.9056	127.3
1st qtr.1995	94.4	11.9	–2.0	1.8645	131.1
2nd qtr.1995	99.1	12.6	–1.4	1.8402	133.3
3rd qtr.1995	99.0	12.7	–7.1	1.8624	131.7
December 1994	31.5	2.0	–2.1	1.9054	127.3
January 1995	30.8	5.1	–0.4	1.8929	128.7
February	32.0	3.8	–1.5	1.8698	130.0
March	31.6	2.9	–0.1	1.8308	134.4
April	32.9	4.7	–0.9	1.8320	134.5
May	32.1	3.8	–0.1	1.8420	132.9
June	34.2	4.0	–0.5	1.8465	132.7
July	32.5	3.8	–3.0	1.8511	133.0
August	32.0	4.2	–2.6	1.8705	131.1
September	34.5	4.6	–1.6	1.8658	131.1
October	33.8	4.1	–2.2	1.8357	132.9
November				1.8363	132.4

■ FRANCE

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1985	133.4	–3.7	–0.2	6.7942	100.0
1986	127.1	0.0	3.0	6.7946	102.7
1987	128.3	–4.6	–3.7	6.9265	102.7
1988	141.9	–4.7	–3.4	7.0354	100.6
1989	162.9	–6.3	–3.8	7.0169	99.6
1990	170.1	–7.2	–7.2	6.9202	103.8
1991	175.4	–4.2	–4.9	6.9643	102.1
1992	182.5	4.5	2.9	6.8420	105.4
1993	179.6	18.3	8.0	6.6261	109.1
1994	198.8	12.9	6.8	6.5659	110.1
4th qtr.1994	52.8	4.1	1.0	6.5426	111.0
1st qtr.1995	55.0	4.7	7.0	6.5115	112.2
2nd qtr.1995	55.8	4.6	3.6	6.4802	113.2
3rd qtr.1995	54.7	3.2	1.0	6.4363	114.0
December 1994	18.0	1.5	1.0	6.5612	110.7
January 1995	17.8	1.3	5.0	6.5464	111.4
February	18.6	1.6	1.2	6.5040	111.7
March	18.5	1.7	0.8	6.4841	113.3
April	18.5	1.8	1.2	6.4371	114.6
May	18.6	1.3	0.9	6.5218	112.2
June	18.7	1.5	1.5	6.4818	113.1
July	17.6	0.7	0.2	6.4424	114.3
August	18.6	1.3	0.3	6.4322	114.1
September	18.6	1.2	0.5	6.4344	113.7
October	18.2	0.9	0.4	6.4104	113.6
November	18.8	2.2		6.3308	114.8

■ ITALY

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1985	103.7	–16.0	–5.4	1443.0	100.0
1986	99.4	–2.5	–1.4	1461.6	101.4
1987	100.7	–7.5	–2.1	1494.3	101.1
1988	108.3	–8.9	–8.0	1536.8	97.7
1989	127.8	–11.3	–17.0	1509.2	98.6
1990	133.6	–9.3	–18.0	1523.2	100.1
1991	137.0	–10.5	–17.7	1531.3	98.7
1992	137.9	–8.0	–21.5	1591.5	95.6
1993	144.3	17.9	9.7	1836.7	80.5
1994	160.1	18.6	13.1	1908.6	77.0
4th qtr.1994	43.6	4.3	3.9	1960.2	75.0
1st qtr.1995	41.3	2.9	2.0	2069.8	70.8
2nd qtr.1995	44.2	5.0	5.9	2198.2	66.4
3rd qtr.1995	43.5	7.1	2.6	2095.4	70.0
December 1994	15.6	1.5	1.9	1979.6	74.2
January 1995	12.5	0.6	–1.0	1992.4	73.9
February	13.5	0.7	1.1	2017.1	72.5
March	15.2	1.6	1.8	2199.9	66.3
April	12.9	1.6	–1.4	2273.5	64.1
May	15.3	1.6	2.1	2159.8	67.4
June	16.1	1.8	2.4	2161.4	67.5
July	16.3	3.4	1.4	2146.5	68.3
August	11.3	2.0	3.0	2080.2	70.6
September	15.8	1.6	–1.9	2062.6	71.0
October	16.4	2.1	–1.5	2084.7	69.8
November	15.3		1.0	2064.8	70.3

■ UNITED KINGDOM

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1985	132.4	–5.7	3.8	0.5890	100.0
1986	108.3	–14.2	–1.3	0.6708	91.1
1987	112.3	–16.4	–7.1	0.7047	89.3
1988	120.9	–32.3	–25.0	0.6643	94.7
1989	137.0	–36.7	–33.5	0.6728	91.9
1990	142.3	–26.3	–26.6	0.7150	89.8
1991	147.7	–14.7	–11.7	0.7002	90.5
1992	145.9	–17.8	–13.4	0.7359	87.1
1993	156.1	–17.2	–14.2	0.7780	79.9
1994	174.0	–13.9	–2.6	0.7736	80.1
4th qtr.1994	45.4	–3.9	–0.6	0.7791	80.0
1st qtr.1995	46.3	–2.4	–1.1	0.7974	78.3
2nd qtr.1995	45.4	–3.8	–1.4	0.8253	75.7
3rd qtr.1995	47.3	–4.1	–1.6	0.8268	75.7
December 1994	15.1	–1.9	n.a.	0.7775	80.0
January 1995	15.3	–0.9	n.a.	0.7858	79.6
February	15.5	–0.9	n.a.	0.7923	78.5
March	15.4	–0.6	n.a.	0.8141	76.9
April	14.8	–1.7	n.a.	0.8261	75.9
May	15.3	–1.1	n.a.	0.8227	75.7
June	15.3	–1.1	n.a.	0.8271	75.5
July	15.2	–1.4	n.a.	0.8359	75.1
August	15.8	–1.5	n.a.	0.8261	75.8
September	16.5	–1.2	n.a.	0.8183	76.2
October	15.5	–2.0	n.a.	0.8224	75.7
November			n.a.	0.8291	74.8

Due to the introduction of the Single Market, EC countries are currently changing to a new system of compiling trade statistics. All trade figures are seasonally adjusted, except for the Italian series and the German current account. Imports can be derived by subtracting the visible trade balance from exports. Export and import data are calculated on the FOB (free on board) basis, except for German and Italian imports which use the CIF method (including carriage, insurance and freight charges). German data up to and including June 1990, shown in italics, refer to the former West Germany. The nominal effective exchange rates are period averages of Bank of England trade-weighted indices. Data supplied by Datastream and WEFA from national government and central bank sources.

Apple Computer, Inc.

Dear Apple Customers:

Apple began with the simple idea: That the power of computing should be available and accessible to everyone. With that idea, we helped launch the personal computer. And as we begin our 20th year, this idea of individual empowerment continues to be the driving force behind Apple Computer.

As many of the 22 million users of Macintosh® systems know, the press has been reporting that these are challenging times for Apple. We would, therefore, like to communicate directly with you and to reassure you that the top priority of Apple's Board and management team is to take action to prepare Apple for its next chapter of growth and profitability.

The major restructuring we are currently implementing is focused on how best to allocate our resources to ensure that we continue to meet our customers' needs with solutions they require at price points they can afford. Moreover, the actions we are taking to put our fiscal house in order will also have vast implications on how we do business.

We've taken measures to build on our market leadership in the home, education and key commercial segments. And we are committed to building and preserving our most valued assets: the Apple® brand, customer loyalty and Apple employees. We are also moving forward aggressively with new technologies and products that will play to Apple's strengths in multimedia and the Internet. And with the strong support of our third-party developers, we now have over 1400 Macintosh native PowerPC™ applications, including over 800 that are "Mac™-first" or "Mac-only."

Looking forward, Apple is positioning itself to take advantage of information industry trends with the delivery of Copland, the code name of our next-generation operating system, and products based on the PowerPC microprocessor, the Newton® platform and Pippin™ technology—the television-based, affordable multimedia platform and Internet browser.

Apple's continued growth depends on constant and direct communication with you. So, I encourage you to watch spaces like this for important messages from Apple about our vision and future strategies.

Rest assured: Apple's mission remains as vibrant today as it was in 1976. It is one that cannot be realized in a year, a decade or even a lifetime. I believe it is one of the most enduring missions of any business in the world.

Sincerely,

Michael Spindler
President and CEO
On behalf of Apple employees worldwide

e-mail address: AppleForever@apple.com

Financial regulators to be streamlined

By Alison Smith, Investment Correspondent

Treasury officials are drawing up plans to streamline the regulation of financial services after the next election by integrating frontline regulators into the Securities and Investments Board, the chief City watchdog. Frontline regulators are those which regulate firms in particular sectors directly.

The change would be the first shake-up of the regulatory system since the 1986 Financial Services Act, which created a a tier of self-regulating organisations, all with significant industry representation on their boards. These report to the SIB which in turn reports to the Treasury.

At the same time, the Treasury expects to take on the regulatory responsibility for insurance now held by the Department of Trade and Industry. Officials believe the structure of financial services regulation will be high on the agenda whichever party forms the next government.

Last month, Mrs Angela Knight, a junior Treasury minister, said the government wanted to improve the working of the current regulatory framework rather than disrupt the financial services sector by embarking on a radical overhaul of the system.

The opposition Labour party is already committed to ending self-regulation and to making the SIB the sole financial services regulator.

The mood among Treasury officials appears to have altered in favour of change during the course of last year. They seem to have been influenced by events last summer when the Treasury had to step in to resolve problems with the investors' compensation scheme. They have also been concerned about the pace at which different regulators are conducting their review of personal pensions business.

The disagreement between the SIB and some of the regulators that erupted during the course of a House of Commons inquiry into financial regulation also convinced officials that the regulatory structure needed to be changed.

Until recently, officials as well as ministers had been sceptical about the need for change, although some politicians and those within the financial services industry have criticised the system for being too cumbersome.

The House of Commons Treasury committee said last November that the Treasury should be responsible for all forms of financial regulation.

The opposition Labour party will tomorrow unveil plans for a full review of its trade and industry policy, pledging to shift the party towards a modernist agenda, *James Blitz writes at Westminster*. Mrs Margaret Beckett, the party's shadow trade and industry secretary, will announce that she is to scrap a two-year-old policy paper which commits the party to highly interventionist policies in corporate and City of London affairs. That paper "brought together a vague and interventionist series of policies," said a senior Labour MP, "and we have to go into the coming election with something else."

She will reveal that leading business figures including Sir Terence Conran, the designer; Mr Robin Fears, director of science policy at SmithKline Beecham; and Mr Will Alsop, a leading architect, have been helping Labour to formulate ideas. The party's industry team is keen to ensure that the new proposals accord with the most recent changes in European Union law.

US food company is accused of 'nobbling one of our great brand names'

Closure dispute hits Campbell's

By Chris Tighe in Newcastle upon Tyne

US congressmen will this week be asked to become involved in a campaign to save a food manufacturing plant in the small, struggling town of Maryport in north-west England.

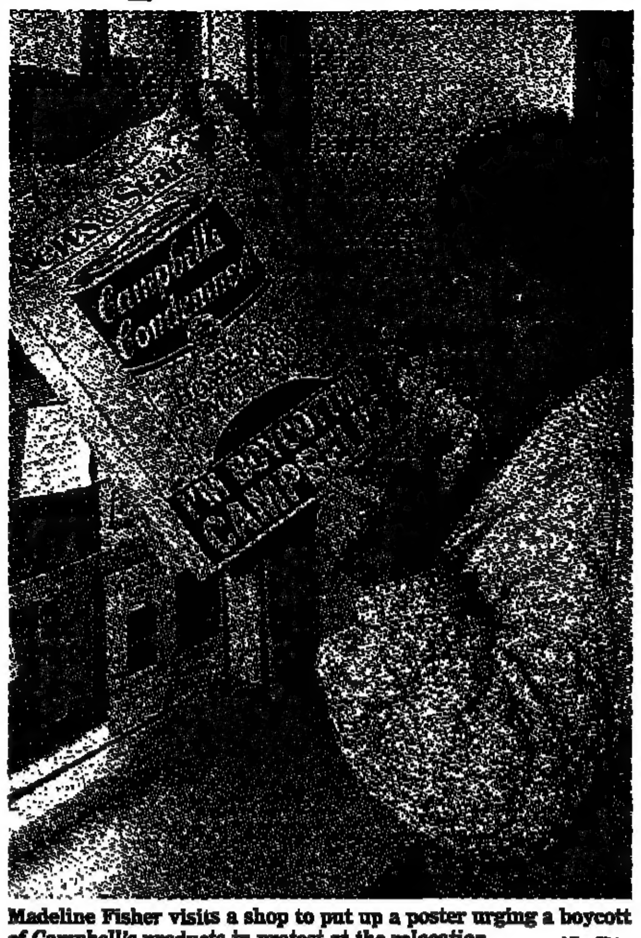
In the latest round of a fight which raises fundamental questions about the extent of companies' social responsibility to communities where they buy plants, Mr Dale Campbell-Savours, the Labour MP for the area, will urge Democrats to raise in Congress the imminent transfer by the US-owned Campbell's Soup Company of all production from its recently acquired Homepride factory in Maryport.

Mr Campbell-Savours, a tenacious campaigner, has already launched a UK boycott of Campbell's soups and its Fray Bentos brand of meat products. He has obtained signatures from 331 MPs, including some Conservatives, to a Commons motion urging Campbell's to reverse the planned closure of the 123-job Maryport cooking sauce plant.

The MP is opening more lines of attack next week, including putting pressure on the J.Sainsbury stores conglomerate not to stock Campbell's products and an examination of health certification at Campbell's UK factories.

Campbell's, which paid Dalgety £58.6m ($88.48m) in August 1995 for the Homepride brand and Maryport plant, announced in October that the factory was to close by the end of March 1996. Employees who feel betrayed said that on takeover the company talked of investment, but it subsequently turned out to be keen to invest in the brand and not the plant.

The company insisted it only discovered after acquisition that the plant's costs were twice as high as those of its other UK factories. Of 23 costs, it said, only water was cheaper. Mr Campbell-Savours strongly disputed these calculations: "I'm absolutely determined that Campbell's should not get away with nobbling one of our great brand names and then closing down a highly profitable factory with a probable loss of 123 jobs – all in the name of disposing of a competitor brand."



Madeline Fisher visits a shop to put up a poster urging a boycott of Campbell's products in protest at the relocation *Mike Gibbs*

The company said it must transfer production to other UK plants to increase competitiveness, safeguard UK jobs, promote the brand and fight imports. The Maryport plant's annual operating profit was £3.9m on £36m turnover. But Campbell's claimed its volumes were static, and its share declining in a growing market. Substantial change would be needed, it argued, even if a rival bidder acquired it.

The company's responsibility to Maryport, Campbell's insisted, had been met by offering all employees transfers to plants in other parts of the UK. It also offered to assist those not wishing to transfer by giving redundancy pay-offs above the statutory minimum and help with jobhunting.

But Mr Campbell-Savours, who has called the takeover and closure plan "a story of deception and unethical behaviour" said: "I have no difficulties with the free market but I cannot accept the free market should be so unregulated in its operation that a predator can come in and demolish a highly profitable company in an area of high unemployment."

It may be, he said, that the Companies Act should be amended to provide for greater transparency during takeover bids.

Mr Bill Mustoe, Campbell UK's group managing director, who is also vice president of Campbell's Soup Company, said of the MP's anti-closure stance: "I think he is coming to it from a totally different view from that which a normal commercial organisation would adopt."

For Maryport the issue at stake is basic – jobs. A coastal town of 11,500 people, set 55km from Carlisle and the M6 motorway at the end of snaking country roads, Maryport has struggled for much of this century to find an economic *raison d'etre*. It is in a local unemployment blackspot with pockets of 20 per cent male unemployment.

The little town, whose centre has a range of handsome buildings from its more prosperous Georgian and Victorian eras, was founded in its present form in 1749 as a port.

Shipping, shipbuilding, quarrying and coalmining underpinned its economy until early this century when its docks proved inadequate for modern cargoes.

The perception of Maryport's ebbing fortunes and its downward industrial spiral is widely felt in the town, but local people are deeply fond of it and loathe to leave.

In spite of much regeneration effort, no large inward investments have been attracted to the area over the past decade and international competition is increasing. Poland, for example, is now competing for heavy engineering projects.

Maryport has a smart new marina, financed by £8m of UK government and European Union funds, but it has provided little local economic spin-off. Mr Cobb thinks Maryport's future lies in tourism, but first it needs a town centre facelift and more visitor attractions.

That the Homepride plant should be closed despite being profitable is especially damaging to Maryport's already shaky self-confidence.

UK NEWS DIGEST

Nationalists have first talks with extremist rivals

The first meeting between Northern Ireland's mainstream nationalist Social Democratic and Labour party (SDLP) and fringe pro-British parties linked to paramilitary groups was held last night amid a flurry of political activity aimed at keeping the Northern Ireland peace process on track. Mr John Major, the prime minister, is to meet Mr John Hume, leader of the SDLP, in London today to explain his plans for Northern Ireland elections. Mr Michael Ancram, a British minister responsible for Northern Ireland, will fly to the US to brief the administration.

Mr Hume welcomed the contacts between his party and the extreme "loyalists", which he said "underlined the transformation" that had taken place. He said all three groups had agreed on the need for all-party talks about the future of Northern Ireland as soon as possible. Mr Gerry Adams, president of the nationalist Sinn Féin party, will leave for Washington tomorrow in an effort to win backing for his no-election stance. Mr Adams accused Mr Major of having "shown no courage" by adopting a "loyalist" election agenda. He said the British and their supporters in Northern Ireland were relying on the old certainties of "fear, prejudice and self-interest".

Sir Patrick Mayhew, chief Northern Ireland minister in the British government, called for early talks with Mr Adams to discuss the government's election plans. Meanwhile Mr John Bruton, prime minister of the Irish Republic, said a meeting between Sir Patrick and Irish deputy prime Minister Dick Spring would "get the peace process back on the track from which it should never have been diverted". *PA News*

Editorial Comment, Page 15

'Mad cow' fears hit meat trade

The damage inflicted on the meat market by fears about mad cow disease was blamed for the collapse of one of Britain's leading meat producers. Buchan Meat Producers at Turriff in Banffshire, Scotland, went into liquidation after attempts to rescue the business by selling it failed.

Mr Ian Souter, the provisional liquidator for Ernst & Young, said he would have to make about 250 of the company's 285 workers redundant. He said: "There is no doubt that the current consumer fears over beef brought about considerable cuts in the market."

Beef sales have fallen because of media speculation that people eating beef could be infected with bovine spongiform encephalopathy (BSE), the degenerative brain condition that affects cattle and is commonly known as mad cow disease.

Buchan Meat is a leading supplier to the British market, though 25 per cent of turnover was generated by exports. Set up 40 years ago, the firm had a turnover of around £70m ($105m) in the year to March 1995, but had been trading at a loss for several months thanks to fierce competition and the scare surrounding BSE. *James Buxton, Edinburgh*

Power station plan for Scotland

PowerGen, the former state-owned electricity generator, is planning to build the first English-owned power station in Scotland, threatening the profits of the two integrated Scottish electricity companies and jobs in the Scottish coal industry. PowerGen yesterday confirmed that it is in negotiations over a former steelworks site at Gartcosh in central Scotland, where it is proposing to build a 700MW gas-fired power station at a cost of £300m ($453m). Analysts said that if the project went ahead, PowerGen would be aiming to take customers from Scottish Power and Scottish Hydro-Electric which have both supply and generation businesses and have so far faced minimal competition. Analysts also said the main loser could be Longannet, Scottish Power's 2,400MW coal-fired station in Fife. Supplied by Mining (Scotland), the consortium which took over the privatised Scottish coalfield in 1994, the station operates at only 40 per cent capacity.

David Wighton, London Lex, Page 16

Cinema chain to expand multiplexes

United Cinemas International, one of the UK's largest cinema chains, plans to invest £100m ($151m) in six multiscreen cinema complexes over the next two years. The expansion, which will create about 1,000 jobs, comes as other cinema operators are investing aggressively in multiplexes with at least eight screens. About 75 multiplexes have opened in the UK in past 10 years, triggering a big increase in cinema attendance, with annual admissions doubling to just over 100m in the past decade. *Alice Rawsthorn, London*

Insurer enters savings market

Direct Line, the telephone-based insurer owned by Royal Bank of Scotland, yesterday entered the retail savings market by offering an instant access deposit account.

The personal savings it attracts will be used to support Direct Line's mortgage lending. At present it is generally cheaper for lenders to raise money from retail sources than from the wholesale money markets. The home loans operation was launched in September 1994, and the mortgage book is currently about £215m ($324m).

Alison Smith and Richard Wolffe Lex, Page 21

Students nominate Saudi dissident

Mr Mohammed al Massaari, the Saudi dissident who faces deportation from Britain, has been nominated by students as rector of Glasgow University, in a move which could compound the government's embarrassment over his case. If he is chosen by the university's 16,000 students in elections on February 28, the Saudi activist would at least nominally be chairman of the University Court, the college's ruling body, for three years. "He stands a reasonable chance," said one student activist. Among previous holders of the post is Mrs Winnie Mandela, wife of the South African president. *Bruce Clark, London*

Toll protesters rebuked: Protesters against tolls on the bridge between the Scottish mainland and the Island of Skye were described as "irresponsible" by Lord James Douglas Hamilton, a government minister. Tolls on the bridge which opened last year reach a peak of £10.40 ($15.70) return for a car in the summer. Already 186 people have been reported for alleged non-payments and are due in court next month.

Finance initiative is boosted

The UK government has announced the largest hospital scheme to be built under its private finance initiative in which private funds are injected into public projects, *Mark Suzman writes*. It will be a £50m ($75.5m) wing for St James's Hospital, a teaching hospital in in the northern England city of Leeds.

The project will include a 246-bed wing, including 166 paediatric beds and a medical science park for research and biotechnology activities. It will also have an 80-bed facility for short-stay patients, which will include 35 private beds designed to raise income for other investment at the hospital by the state health service. The wing will be built by Medipark St James, a consortium that comprises Mediparks, a company specialising in the development of medical research parks, Charterhouse Bank and John Laing Construction.

The announcement will bolster the controversial public finance initiative. The government has committed itself to £2bn ($3.02bn) of new capital spending in the health sector under the initiative. But although some 47 contracts have so far been approved, only one worth £35m has been a big hospital project. "We are seeing a flow of major PFI building projects which are changing the face of hospitals," said Mr John Horam, a health minister.

Mr Stephen Dorrell, health secretary, has said he expects about one big PFI hospital project to be announced every month this year.

Rail buyer pledges pay rises and more part-time working

By Charles Batchelor, Transport Correspondent

More part-time employment, women working in a wider range of jobs and higher basic pay are promised by Enterprise Rail, the management-employee buy-out which has acquired the London, Tilbury & Southend franchise from London to the Thames Estuary and east coast.

The company also envisages a further reduction in staff, primarily guards, with the introduction this year of automatic sliding-door trains controlled by drivers. RMT, Britain's main rail union, said: "We believe that guards are necessary for train safety. If they are to be taken off then precautions must be taken."

Enterprise staff numbers have already fallen from 770 last March to 715 as a result of employing more part-timers and modernising signalling on the line. Critics of privatisation who concentrated on job reductions were "missing the point," according to Mr Chris Kinchin-Smith, chief executive. British Rail, the state network had also reduced staff numbers as it had reorganised its activities. Enterprise said it expected to negotiate new terms for many of its 700-plus staff over the next 12 months.

On pay, Mr Kinchin-Smith said the company was "determined to break away from BR's system of a low basic with lots of overtime". Enterprise drivers and depot employees are paid a basic rate with overtime, although station staff are paid salaries.

The company has already recruited 40 part-time guards, many of them women, the first time that part-timers have been employed in this role on the railway.

Names to scrutinise transfer of liabilities

By Ralph Atkins, Insurance Correspondent

Lloyd's of London yesterday sought to fulfil its pledge to consult litigating members on its proposed out-of-court offer to them as the insurance market's ambitious recovery plan enters a critical phase.

Lloyd's announced it was setting up a "settlement agreement advisory group" to represent thousands of lossmaking Names, individuals whose assets have traditionally supported the insurance market. The decision marks a break from tactics employed during the failed settlement offer in 1994 where there was little consultation with Names.

Mr Michael Deeny, chairman of the Gooda Walker action group and member of Lloyd's ruling council, said the move was "an important development...the fear of Names is that the devil will be in the detail. This is an opportunity to take the devil out of it [the settlement]."

As well as the out-of-court offer, currently worth £2.8bn ($4.2bn) largely in debt write-

LLOYD'S
LLOYD'S OF LONDON

offs, the group will have a particular role in scrutinising the terms by which billions of pounds of liabilities will be transferred to a new reinsurance company called Equitas. Names are worried about the ownership and control of Equitas and the cost to them of setting it up.

With the recovery plan due to be implemented this Spring, Lloyd's is close to deciding whether to seek extra capital above Names' funds to finance Equitas. Last night Berkshire Hathaway, the insurance and investment group controlled by Mr Warren Buffett, appeared to dismiss speculation that it might provide £500m, saying it was not considering any involvement.

However, Lloyd's seems likely to seek extra capital for Equitas from specialist investors, though it is unclear whether such funds would be required by government regulators considering authorisation for Equitas.

Equitas could provide an attractive return to investors if US asbestos and pollution insurance claims faced by Lloyd's proved lower than forecast when its reserves were finally set.

Trade groups often ineffective, says minister

By Michael Cassell, Business Correspondent

Mr Richard Page, a junior minister at the Department of Trade and Industry, thanks the Frothblowers' Federation for the invitation to their annual dinner but he has better things to do. The federation is fictitious, but is used by Mr Page to warn some of the many UK trade associations seeking similar ministerial endorsement that they are out of luck.

"Trade associations are one of the most important mechanisms available to help deliver economic success but too many are under-resourced and ineffective and compare badly with those in the rest of Europe," Mr Page said. His department did not have enough officials to liaise effectively with them all.

His stand forms part of a renewed campaign to provoke an extensive rationalisation and restructuring of UK trade associations. The aim is to extinguish those with no modern role and to gather others beneath "lead" organisations.

Mr Page stressed that national competitiveness was at stake. "If we fail to make real progress on this issue, we will lose out badly to competitors like the Germans and Japanese whose trade associations play a big part in their economic success."

His disenchantment is shared in other government departments, most notably the Treasury where Mr Kenneth Clarke, the chancellor of the exchequer, has been unimpressed by the quality and numbers of lobbying groups banging on his door.

Part of the strategy of the Department of Trade and Industry to bring about change involves devising a model set of guiding principles for trade associations to be unveiled on Thursday.

Simultaneously, about 20 of the largest trade associations have just started a benchmarking exercise intended to raise their own professionalism and, in particular, to consider ways of improving communications with the machinery of the British government and the European Union. Behind the exercise is Mr Mark Boléat, director-general of the Association of British Insurers, who said too many trade associations failed to provide value for money. "Too many members tolerate standards they would not accept at their local golf club, let alone in their own business," he said. Mr Boléat wants associations to be properly resourced, criticises the poor professionalism of some association personnel and says their activities must be better focused.

Richard Page: risk of losing out to international competitors

But for all the current rigour, the government's attempt to knock an estimated 1,700 trade associations into shape has a familiar ring. Nearly three years ago, as trade and industry secretary, Mr Michael Heseltine demanded an end to the conflicting voices lobbying government and the creation of a number of "lead" associations which alone would win access to ministers.

The exhortations from Mr Heseltine, who is now deputy prime minister, met limited success. "If anything, the number of trade associations is increasing," said Mr Chris Henderson, a director of CBD Research, which publishes guides to trade and professional organisations. "Some of the expansion is because of the explosion in information technology but the government itself is also partially responsible. The more it sells off, the more representative bodies shoot up."

Mr Page, who has seen dozens of trade associations in recent months to press home the need for change, insisted numbers were falling and said several mergers were in hand. He would like progress to be more rapid but "there are many people with a vested interest in maintaining the status quo."

One example of progress inspired by the government is a planned merger between the British Electrotechnical and Allied Manufacturers' Associations and the Mechanical and Metal Trades Confederation, intended to construct a cross-engineering body on lines established elsewhere in Europe.

Ford urges workers to reject strike call

By Robert Taylor, Employment Editor

Ford warned its manual workers yesterday that they would risk their jobs if they supported a call for industrial action made by their trade unions. Ballot papers were sent out yesterday to ask the workforce to reject a two-year pay offer worth about 9.25 per cent extra. That involves a 4.75 per cent rise in basic pay this year and in 1997 a further 4.5 per cent or the inflation rate plus 0.5 per cent if that amounts to more than 4.5 per cent.

In a pre-emptive move at the weekend the company's plant managers sent letters to every employee explaining the "final" offer and telling them that any disruption would hurt the company and jeopardise future investment in UK plants. "Future productivity improvements are crucial to closing the competitive gap and making us a more viable source for work in the future", the letters said.

"We have to show our Ford Britain plants can continue to be reliable sources of supply and efficient sites for investment", the company continued. "As a result of our reputation we have become a significant supplier across vehicle operations in Europe and we are seeking to win more work by promoting products in the global market. Strike action would put all of this at risk."

But union leaders were confident last night that Ford workers would back the strike call. The result of the ballot will be known next month. Feelings are running high among workers at the Dagenham plant in east London and at Ford's unit in the port of Southampton. There were unofficial walkouts at both plants in November last year.

The unions asked for a "substantial" increase in basic pay and shorter hours, and the company is keen to explain why it cannot agree to any cut in the basic working week. Last week Vauxhall, the British offshoot of General Motors, accepted a reduction in hours as part of a deal with its workforce. "Anything which has an impact on our productivity such as a worktime reduction would seriously damage our competitiveness when we have opportunities to bid for new work", said the Ford letter.

But the unions say workers at Ford are frustrated and that their demand for a cut in working hours would "do no more than bring Ford in the UK into line with other Ford plants elsewhere in Europe and with the most progressive auto companies in the UK".

System for trading in bund futures to be relaunched soon

By Steve Thompson, UK Stock Markets Editor

The London International Financial Futures and Options Exchange expects to relaunch its new automated electronic options trading system "in the next few weeks".

The APT-Plus system – set up at a cost of more than £2m ($3.02m) to facilitate automatic trading of German bund options – was switched off on Thursday after only 15 minutes. No trading via the system has taken place.

"We decided we had to do more testing," said Mr Neil Blurton, Liffe's managing director of technology. The system, which had undergone two months of trials, threw up "a number of problems" with reference prices, which provide control and guidance to traders.

Problems with APT-Plus were apparent only minutes after the system was switched on. Earlier in the day the bund futures market had been extremely active, with more than double the usual amount of business being carried out after a strong performance by the D-Mark.

APT-Plus was developed to enable business in German bund options to continue after the official 16h20 close of normal trading, which is carried out by open outcry.

This would allow the market to accommodate trading in the wake of significant economic events after hours. The system would normally have run until 18h00.

The APT-Plus system is similar to, but much more complex than, the existing Liffe APT operation, which has run successfully for six years and which enables dealers to trade in futures after the close of open outcry dealing.

BUSINESS AND THE LAW

Currency export curbs ruling

EUROPEAN COURT

National rules prohibiting the export of currency without prior authorisation are contrary to the Treaty of Rome provisions on the free movement of capital, the European Court of Justice ruled recently.

However, the Court said national authorities were entitled to demand that such transactions were declared prior to being carried out.

The ruling arose out of the separate prosecutions in Spain of three people for attempting to take large sums of Spanish currency out of the European Union. Under Spanish law, such currency operations need official authorisation.

The Spanish court wanted to know whether the Spanish rules were compatible with the Rome treaty provisions on the free movement of capital and it referred the issue to Luxembourg.

In its reference to the Court, the Spanish court noted that although the ECJ had considered the issue with regard to transactions between member states, it had not been asked to determine the issue in respect of currency exports to countries outside the EU.

The Court first analysed the relevant provisions of the treaty which had been inserted under the Maastricht treaty. The first gave effect to the liberalisation of capital movements between member states and between member states and third countries by prohibiting all restrictions on such movements.

This prohibition was without prejudice to the right of member states to take all requisite measures to prevent infringement of all national laws and regulations, in particular in the field of taxation and the prudential supervision of financial institutions. Member states were also entitled to lay down procedures for the declaration of capital movements for purposes of administrative or statistical information and to take measures which were justified on grounds of public policy or public security.

However, the treaty made clear that such measures and procedures could not constitute a means of arbitrary discrimination or a disguised restriction on the free movement of capital.

In the light of this, the Court sought to determine whether the requirement of an authorisation was necessary to uphold the objectives pursued and whether the objectives could be obtained by measures less restrictive of the free movement of capital.

The Court's case law demonstrated that such authorisations had the effect of suspending currency exports and made them conditional on the consent of the administrative authorities. The effect of such a requirement was to subject the free movement of capital to the discretion of the administrative authorities, thereby rendering the freedom illusory.

The Court said the aim of the Spanish rules could be achieved by establishing a system of declarations, which indicated the nature of the planned operation and the identity of the individual concerned. That information would allow the national authorities to investigate individual transactions to determine whether the capital was being unlawfully transferred or not.

Unlike a system of prior authorisations, this declaratory system would not suspend the operation concerned but would nevertheless allow the authorities to carry out effective supervision to prevent infringements of national legal provisions.

The Court rejected the Spanish government's argument that only a system of prior authorisation made it possible to establish that a criminal offence had been committed. The Court said such considerations could not justify maintaining measures which were contrary to European law. Thus, although prior authorisations were contrary to the treaty provisions, the requirement of declarations for such transactions was compatible with European law.

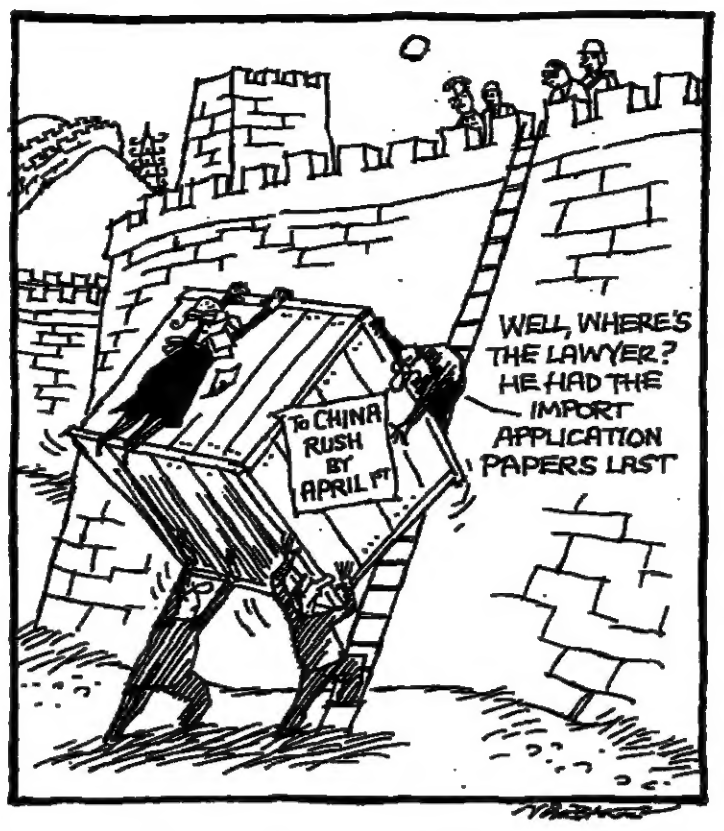
The Court also ruled that the relevant provisions of the treaty, inserted after Maastricht, prohibiting restrictions on the free movement of capital were of direct effect, and therefore could be relied on by individuals in the national courts.

Joined cases C-163/94, C-165/94 and C-250/94: Lucas Emilio Sanz de Lera and Others, ECJ FC, December 14 1995.

BRICK COURT CHAMBERS, BRUSSELS

China's level playing field

Nigel Page outlines the new tax problems facing foreign investors



Western lawyers working in China believe Beijing's decision to remove tax exemptions for capital equipment imports could undermine foreign direct investment there.

China's dominance over western investment in Asia used to be guaranteed. But competition has intensified and other Asian tigers are now increasingly attractive, offering secure legal frameworks and valuable incentives.

By contrast, China's regulatory structure governing inward investment remains nascent. There is still no currency convertibility and corruption is a fact of commercial life.

None of these have yet put off foreign multinational investors. But it now looks as though China's enthusiasm for World Trade Organisation membership may finally have succeeded in doing so.

There was a general air of bemusement when it first became clear the authorities planned to phase out tax exemptions for capital equipment imports by foreign invested enterprises from April 1.

The reason given by Mr Zhu Rongji, executive vice-premier in charge of the economy, was the need to step into line with WTO entry requirements. Western lawyers in Beijing are highly sceptical. "The Chinese claim the tax incentives are being removed to create a level playing field and facilitate WTO entry. In reality, it will simply provide state-run enterprises with more of an advantage and is actually not necessary for WTO entry," said one.

The official notice announcing the change – published on December 29 – stated that the overall level of import duties will be reduced to 23 per cent from April 1. From then, duties and import-related taxes, such as value added tax, will also be levied on all imported equipment, materials and other items, including imports by newly-approved foreign investment enterprises of equipment and raw materials, as part of their total investment.

Some view elimination of the duty-free exemption as a means of the tax authorities clawing back revenues lost by the overall reduction of the tariff rates.

"Foreign investors still have a brief window of opportunity to import capital goods duty free," says Mr Tom Jones, a partner in the Hong Kong office of Freshfields, the UK-based international law firm.

He says investment enterprises approved and established before the deadline will still enjoy a grace period, the length depending on the amount of their total investment.

For projects with a total investment of \$30m (£20m) and more, the customs duty and tax-free treatment for imported equipment and raw material within total investment will remain applicable until December 31 1997. For projects with total investment of less than \$30m, the grace period extends until December 31 this year.

Many of Beijing's western law firms believe that while there may have been a convincing argument for removing the duty exemptions over time, or even reducing them to a lower threshold, their wholesale removal will panic both potential and existing foreign investors.

That sort of unpredictability has always made it hard for companies to draw up long-term China strategies. But with the high levels of increased duty likely to become payable, some businesses may now be scared off altogether.

Until now, production joint ventures could import duty-free equipment and machinery up to their total investment amount. The perks offered to manufacturers by some of China's special economic zones and other approved provinces are the ones now in line for removal.

Ventures requiring considerable technical investment could now pay 40 per cent duty plus 17 per cent VAT. As, in general, investment enterprises established in these zones only pay 15 per cent corporation tax, and joint ventures outside these zones pay 30 per cent, it is easy to see why the prospect of some or all of these privileges being rescinded has caused such gloom.

Lobbying by US trade organisations has had little apparent effect. Despite threats that "premature removal" of these exemptions would "force every foreign investor to reconsider every China investment," Beijing is confident China will remain an attractive place to invest, according to one US lawyer.

For western lawyers, at least, there is a silver lining to these developments – foreign investors have been looking to push through their project proposals before the exemptions disappear. Local approval and customs authorities have done their best to smooth the way for these last-minute applications in an effort to maintain levels of investment.

And there are some areas of inward investment which will remain heavily subscribed for the foreseeable future, according to Mr Doug Markel, senior manager in Freshfields' China practice group.

In particular, there has been a rush to establish investment holding companies in China, he says. The authorities have set high hurdles to establish these ventures. Companies must have \$10m in existing investment and commit to another \$30m to obtain approval. But once approved they can act to some extent like holding companies, allowing the Chinese to use them as a carrot to attract further investment from blue-chip investors.

Freshfields is not alone in having many clients working on China projects at the same time as setting up investment companies. The Ministry of Foreign Trade and Economic Co-operation claims to have approved 100 of these applications.

There are several benefits to companies following this course, Mr Markel says. One is that the rules contemplate the venture acting as a foreign currency swap centre for subsidiary companies. Another is that investment companies may act as agents for the sale of products of their Chinese subsidiaries, and may eventually be able to act as fully fledged distributors.

The rules also contemplate an investment company acting as a finance company for its subsidiaries, providing debt financing that might otherwise be unavailable and ensuring a more efficient circulation of capital, he says. "In short, if the day finally comes when companies are permitted to establish proper business branches in China, it is entirely possible those with holding companies will be among the first permitted to do so."

Irrespective of the lure of investment companies, many remain puzzled why the Chinese are apparently throwing so much away in the name of WTO admission. One American lawyer summed up the feeling among western advisers: "This sort of thing shows just how arrogant the authorities can be. They continue to assume that because of the huge market, China commands the attentions of all western investors. What they forget is there are plenty of other attractive markets across Asia."

The author is an editor of The Asia Pacific Legal 500.

LEGAL BRIEFS

Brussels warns France over practising rights

The European Commission in Brussels has formally notified France that its 1991 legislation governing the right to practise law in France is illegal.

The Commission says that the French law which restricts practice to French avocats is contrary to article 52 of the Treaty of Rome because it indirectly discriminates against foreign lawyers who want to give advice in France on their own national laws and international law. Failure by France to satisfy the Commission's concerns could result in the Commission taking France to the European Court of Justice in Luxembourg.

In another blow to France, the legal affairs committee of the European parliament is considering an amendment to the draft European Union directive on lawyers' rights of establishment.

According to the Law Society's Gazette the committee is considering giving lawyers a permanent right to set up and practise under their own national professional title throughout the EU. At present the draft directive only allows lawyers to set up and practise in another member state under their own or "home" title for five years, after which they must join the local profession or leave.

A permanent right to practise under home title is opposed by France but favoured by the UK and Germany. If the parliament produces a final report recommending this change to the directive, the Commission has indicated that it will accept it.

New head of set

Laura Cox QC has been elected as the new head of chambers at Cloisters, one the country's leading human rights and civil liberties sets. She is the first woman to lead Cloisters, succeeding Mr David Turner-Samuels QC.

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TECHNOLOGY

Paul Taylor on Olivetti's bold attempt to redefine the standard for PCTVs

PC in the living room

The success of multimedia personal computers designed for home use over the past 18 months has helped keep PC sales strong in Europe, North America and, most recently, Japan. Yet PC manufacturers have still found it difficult to move their products into the living room.

In Britain a study prepared for Packard Bell last summer confirmed that while the home computer is part of family life for about a fifth of UK households, it is largely kept apart from the TV, stereo and other home entertainment equipment.

Most users keep their personal computers in the bedroom (22 per cent), a study (20 per cent) or a spare room (17 per cent). Only 15 per cent keep their computer in the living room which, despite the supposed convergence of consumer electronics and computing, remains the domain of the television set and stereo system. Surveys elsewhere paint a similar picture.

A number of manufacturers keen to broaden the appeal of their machines have focused on building a new breed of PC which combines most if not all the features of multimedia PC, television and hi-fi system.

Several approaches have been adopted.

The most popular, taken by companies such as Compaq, International Business Machines, Packard Bell and Apple Computer, have built multimedia machines consisting usually of base unit and separate computer monitor capable of receiving and displaying television pictures.

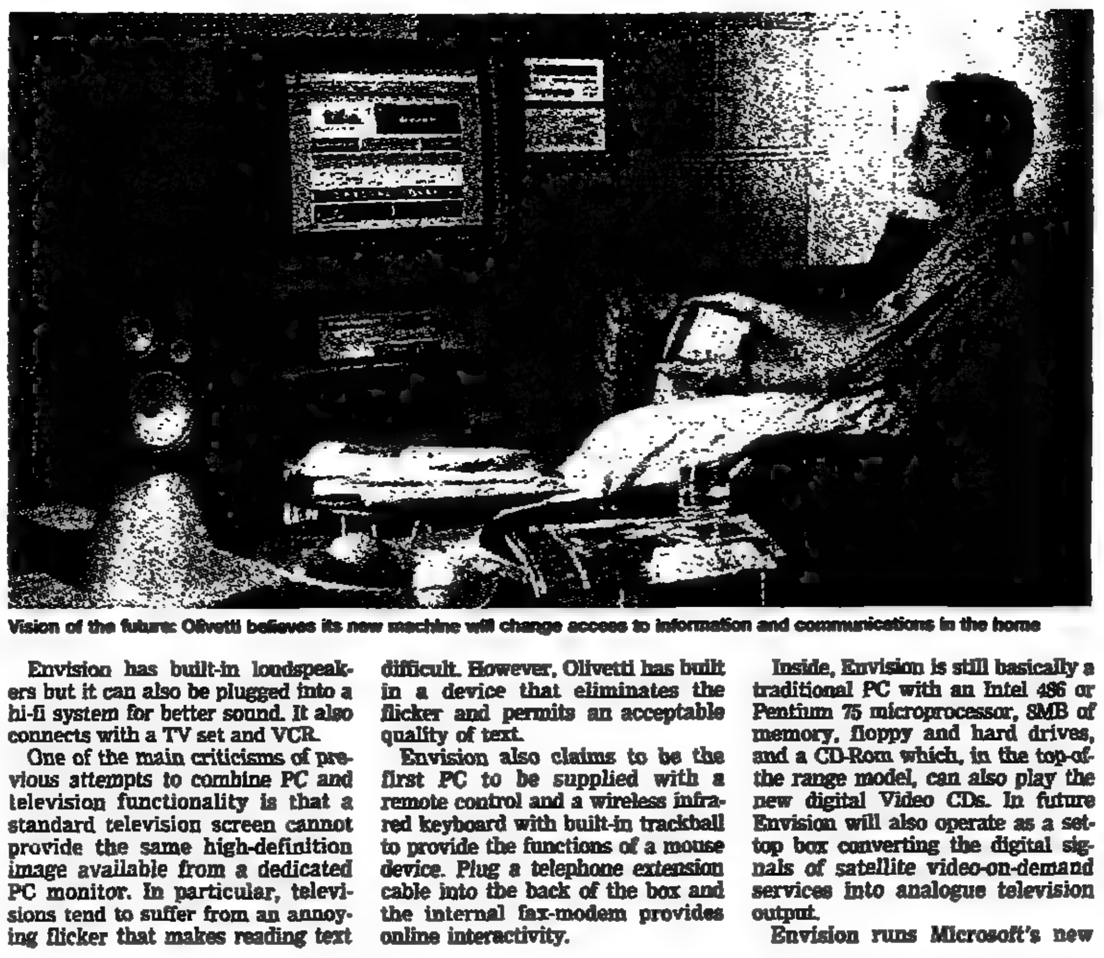
Most of these machines also feature CD-Rom drives fax-modems, and facilities to download information from a consumer online service such as CompuServe or send E-mail over the Internet.

Another approach, favoured by companies such as Germany's Siemens Nixdorf and Britain's ICL, has been to build integrated PCTVs. ICL's machine, marketed as part of the group's push into the high street retail business under the Fujitsu ICL brand, is a single curvaceous charcoal grey box which can be used either as a standard PC or a small teletext colour television.

Like Siemens Nixdorf, which introduced its own integrated PCTV almost a year ago, ICL reports steady demand for its machine. But most analysts and retailers believe these hybrid machines have limited appeal confined to niche markets such as the student sector.

"Sales of computers that can also be used to view television and teletext are failing to live up to industry expectations," says Time Computer Systems, one of Britain's biggest direct sales retailers. "The market is not ready for mass volume PCTV sales," says Colin Silcock, sales manager at Time. The company, which had been selling an extensive range of PCTVs, has withdrawn the systems and replaced them with standard multimedia PCs and optional plug-in TV cards.

In an effort to overcome consumer resistance Olivetti launched a different kind of PCTV last autumn. Dubbed Envision, Olivetti's innovative offering is black, stylish and looks more like a video cassette recorder or a stackable stereo component than a powerful PC.



Vision of the future: Olivetti believes its new machine will change access to information and communications in the home

Envision has built-in loudspeakers but it can also be plugged into a hi-fi system for better sound. It also connects with a TV set and VCR.

One of the main criticisms of previous attempts to combine PC and television functionality is that a standard television screen cannot provide the same high-definition image available from a dedicated PC monitor. In particular, televisions tend to suffer from an annoying flicker that makes reading text difficult. However, Olivetti has built in a device that eliminates the flicker and permits an acceptable quality of text.

Envision also claims to be the first PC to be supplied with a remote control and a wireless infrared keyboard with built-in trackball to provide the functions of a mouse device. Plug a telephone extension cable into the back of the box and the internal fax-modem provides online interactivity.

Inside, Envision is still basically a traditional PC with an Intel 486 or Pentium 75 microprocessor, 8MB of memory, floppy and hard drives, and a CD-Rom which, in the top-of-the range model, can also play the new digital Video CDs. In future Envision will also operate as a set-top box converting the digital signals of satellite video-on-demand services into analogue television output.

Envision runs Microsoft's new operating system Windows 95, but it also comes with Olipilot, a graphical interface based on the metaphor of a house – designed to introduce users to Envision's features.

Olivetti, which like most other indigenous European PC makers is losing money on its computer business, believes the PC "will revolutionise access to information and communications in the home".

At around £1,400 or more in the UK, Envision is not a cheap option and Olivetti must be concerned that its new machine could fail like other consumer multifunction devices, such as Commodore's CDTV and Philips's CD-i players. However, they were disappointing partly because of lack of software and Envision's PC-compatibility guarantees that far more software is available.

Olivetti's bold attempt to redefine the standard for PCTVs has already won praise from the industry – Personal Computer World, one of the leading UK consumer PC magazines recently picked it as "Editor's Choice" in competition with a handful of rivals. But Envision may still be ahead of its time.

The multimedia home PC platform is still evolving as technology advances and new standards emerge. On the other hand, most successful consumer electronics products, such as audio CD-players, have been based on stable commodity-like technology that can be mass produced at low cost.

For that reason most PC manufacturers assume it will be some time before the home PC breaks into the living room. By then, many in the industry believe, the home will house a variety of digital devices including, perhaps, low-cost Internet computers and interactive digital set-top boxes which may already have filled the remaining space under the TV set.

OJ without the C

Freshly squeezed orange juice may not be as good for you as you think and could contain fewer vitamins than the cheaper, long-life juice, according to research by the British Soft Drinks Association.

"Because it is freshly squeezed, it does not necessarily have a higher vitamin C content than long-life juice which is a third or a quarter of the price," says Geoff Martin, adviser to the BSDA.

Vitamin C, the principal nutrient in orange juice, deteriorates very rapidly and can be destroyed by heat. If oranges are processed close to where they are grown, they generally retain much of their vitamin C. But if they are shipped to consuming countries before being squeezed into juice, they may already have lost some of their vitamins.

Oranges are processed into concentrate shortly after picking. The concentrate is then exported to consuming nations where it is reconstituted by adding water and boxed.

Martin says that improvements in technology for producing concentrate mean that long-life juice often contains around 90 per cent of the vitamin C found in freshly-harvested oranges. However, if oranges are shipped for two to three weeks before being turned into freshly squeezed juice, they can have lost 20 to 30 per cent of their vitamin C.

"Vitamin C does not like high temperatures or prolonged storage and it depends on how the oranges have been treated how much they contain," he says. Oranges kept in cool conditions will retain their vitamins for much longer than those kept at room temperature.

Orange juice concentrate is made by passing the juice through a vacuum which strips out the water – it is done at a low temperature. Once concentrate is packaged, it will retain around 80–90 per cent of the vitamin content of the original fruit for four to five months.

Deborah Hargreaves

Adopting the simple approach

Michiyo Nakamoto looks at a cheaper form of interactive TV

The excitement surrounding interactive TV and other multimedia services has led to a slew of costly experiments and considerable hype about how the new technology will transform entertainment and shopping.

But as high-profile experiments involving state-of-the art technology founder because of the huge costs, a group of mainly Japanese consumer electronics companies have opted for a simpler, less expensive form of interactivity.

Leading electronics manufacturers have joined NTT, the telecommunications carrier, Dentsu, the advertising agency, and Wink Communications, a US software company, in an alliance dubbed the Intertext Consortium, to develop an interactive TV system using enhanced teletext broadcasting and standard telephone lines.

"The idea is to use signals that are not used in regular TV broadcasts to transmit additional information from the studio to the home and to use the ordinary telephone line to send information back to the studio from the home," says Shinichi Makino, Toshiba's project leader of the Intertext Consortium.

The system, scheduled to launch this summer, will be based on an interactive TV broadcasting system in the studio that will put together information for interactive programmes.

The information will be broadcast to homes as additional signals to current teletext broadcasts and will take the form of commands which will be decoded and executed by the interactive TV set in the home.

Viewers will be able to access the additional information with their TV set which will incorporate software for interactive TV developed by Wink Communications and will be equipped with a dedicated decoder and a fax modem to provide the telephone link.

Ordinary telephone lines will be used to send information from the home to the studio. The information will be processed by a network server and delivered to the TV studio.

Programmes that offer interactive services will carry an icon, which the viewer clicks with the remote control in much the same way that PC users click icons on the screen using a mouse.

In quiz shows, for example, the viewer can respond to questions being asked in the studio with a click of the remote control. Additional information on TV commercials can be accessed by clicking the relevant button.

Home shopping, which is increasingly popular in Japan, will become easier as orders can be placed using the remote control.

The advantage of this relatively simple interactive TV system is that it relies on technology already widely available and consequently costs can be kept reasonably low.

The interactive TV sets will need only a few additions to conventional sets so they should not cost much more. Since the system uses ordinary phone lines, the interactive services are expected to cost less than interactive systems based on an optical fibre communications network. Those who want to continue to use their old TV sets can access the system by buying a dedicated set-top box.

The drawback is that video-on-demand, a much-touted application of interactive TV, will not be available.

"Video-on-demand requires a large amount of information and huge telecommunications capacity," Makino points out. As a result, providing video-on-demand will be much more expensive. The consortium has agreed the main technical standards and participating TV manufacturers are working to commercialise the interactive TV sets by next summer.

As with many multimedia systems in the experimental stage, the big question, Makino concedes, is what will be the application that encourages consumers to buy the new interactive sets and subscribe to the services.

A more fundamental question is whether consumers want to use their TV actively.

"People who use PCs and on-line services like the Internet actively seek information. But watching TV is a passive pastime," Makino says. "That isn't likely to change all that much," he believes.

INTERNATIONAL PEOPLE

Thyssen finds head for main division

Thyssen Handelsunion (THU), the largest division of the Thyssen industrial conglomerate, will have breathed a sigh of relief when it managed to persuade Hans-Erich Forster, 55, to take over as chief executive on April 1.

The job had previously been given to Hans Jakob Zimmermann, another member of the management board, but was up for grabs again after Zimmermann left suddenly in December. Forster is likely to be a steadier pair of hands. He joined Thyssen in 1967, straight after his studies. By the time he finally decided to try his luck elsewhere in 1992, Forster had spent 12 years at Thyssen Aufzüge, the escalator and lift division, which he had pulled back into profit and whose turnover he had increased from DM350m to more than DM2bn.

Since 1992 he has been working for Thyssen's next-door neighbour Veba, managing its Schenker-Rhenus transport division, Europe's biggest logistics group. That experience should help him at THU, which itself created a joint venture with the German railways last year and has high hopes for its own logistics network.

But Dieter Vogel, the outgoing THU boss, has warned that the company faces a "very difficult" year because of growing competition in many areas. Forster's own year may be made more difficult if Vogel, who becomes chief executive of the entire Thyssen group, decides to meddle in a business which he has reshaped extensively in recent years. *Michael Lindemann*

Fiat Auto changes gear

Fiat has stayed true to form by hunting within its own workforce for a new head of its core cars division. It is expected to announce this week that Roberto Testore, currently head of the Comau automation subsidiary, will become managing director of Fiat Auto.

The appointment of Testore, a 43-year-old engineer who has been with Fiat since 1976, would fit with a chain of events set off by Gianni Agnelli's decision to retire as Fiat's chairman in March. Agnelli will be succeeded by Cesare Romiti, the group's managing director, who in turn gives way to Paolo Cantarella, who has led the cars division since 1989. Testore's challenge will be to maintain momentum at a time when European car makers are cutting production because of poor prospects for 1996. One of the first projects on Testore's agenda will be the launch of Fiat's compact Palio "world car", to be introduced in Brazil in April.

Testore, who was born in Turin, joined Comau in 1986 and had a variety of roles. He was commercial director in 1991 and became managing director in 1994. *John Simkins*

Swedish Match makes Linden chief executive

Swedish Match, the world's leading match producer, has appointed a new chief executive ahead of its planned demerger from Volvo and stock market listing in the spring. He is Göran Linden, 51, president of Volvo's Fortos division (a unit grouping non-core assets which Volvo plans to sell) and a Swedish Match board member since 1985. He will replace Klaus Unger, who at 62 is two years past the company's normal retirement age, on February 15.

Swedish Match, which had operating profits of SKr1.5bn (£143.4m) on sales of SKr8bn in 1994, has strong global positions in matches and lighters and is the dominant Swedish cigarette supplier. Volvo shareholders are expected to approve the demerger, in the form of a share distribution to existing Volvo shareholders, in April, with the stock market listing due shortly afterwards. *Christopher Brown-Humes*

BellSouth's new tone

When John Clendenin took over as chief executive of Atlanta's BellSouth Corporation he was the youngest and newest head of the regional US telephone companies created by the break up of AT&T. Now the only remaining chief executive who knew what life was like before the break up is preparing to bow out.

Clendenin, who joined Illinois Bell as a service engineer in 1955, retires as chief executive at the end of 1996 when he will be 62. He will remain as a non-employee chairman until 1997. Duane Ackerman, 31, who started with Southern Bell in 1965, succeeds him as chief executive and president. He has been chief operating officer for the last year.

BellSouth is the biggest and probably the most conservative of the Baby Bells, the regional companies created by the 1984 break up of AT&T. Under Clendenin, BellSouth has nearly doubled in size and ranks on a par with British Telecom in terms of market capitalisation. Its success has been based on its position in the fastest-growing region of the US. But there have been concerns that it has not moved quickly enough to adapt to the rapid changes sweeping the global telecommunications industry. *William Hall*

DKB's new president

Dai-Ichi Kangyo Bank, one of Japan's largest commercial banks, will have a new boss from April 1. Katsuhiko Kondo, 58, currently the bank's deputy president, will take over from Tadashi Okuda, who has been president since 1992. Okuda becomes chairman.

Kondo joined the Dai-Ichi Bank in 1960, before its merger with the Nippon Kangyo Bank 11 years later. He has been a managing director for the last six years, having spent three years in the early 1980s at the merged bank's New York branch. Since the merger DKB has alternated the posts of top officials between former Dai-Ichi and Nippon Kangyo staff. Kondo's appointment suggests that this formula has not changed – a Dai-Ichi man, he is succeeding the Nippon Kangyo-reared Okuda. The present chairman, Kuniji Miyazaki, will become an adviser to the bank. *Gerard Baker*

ON THE MOVE

■ Hans-Jurgen Mohr and Udo Oels join the board of management of BAYER AG after the annual meeting on 25 April 1996, when vice-chairman Hermann Wunderlich and labour director Prof. Klaus Kleine-Weischede retire. Mohr, 57, takes over as labour director and as chairman of the committee for human resources. Oels, 52, takes over the chairmanship of the environmental protection and safety committee and will sit on the committees for research and development and corporate co-ordination. The new general manager of corporate planning and controlling, corporate staff division, succeeding Mohr, will be Werner Wenning, 49, currently managing director of Bayer Hispania Industrial, Barcelona. The general manager of organic chemicals business group, in succession to Oels, will be Atilla Molnar, 47, currently head of production in the coating and special raw materials business group.

■ Robert F. Slagle, 55, has been appointed president of ALCOA World Alumina, responsible for the strategic, commercial and operational activities of Alcoa's global bauxite and alumina activities. Roger A.G. Vines, 59, succeeds Slagle as managing director of Alcoa in Australia and Peter J. Bailey, 50, succeeds Vines as president of Bauxite and Alumina.

■ Robert D. Hunter joins THE MCGRAW HILL COMPANIES from Chase Manhattan as president of its financial information services group. During his 28 years at Chase he has worked in New York, London and Brazil. Most recently he was chief financial officer for the retail businesses.

■ Jean J. Jacober, 46, named chief executive of Switzerland's BREGUET luxury watch group, after 8½ years as chief operating officer of Patek Philippe.

■ Lord Tugendhat is to succeed Sir Peter Walters as non-executive chairman of BLUE CIRCLE INDUSTRIES in May.

■ David Hancock, a former senior vice-president of marketing at Apple Computer, has been appointed chief executive of HITACHI PC CORP (USA), to oversee its entry into the US personal computer market.

■ Wilhelm Zeller, 51, has become chairman of Hannover Re Group, replacing Dr Michael Reischel who died in June 1995. Zeller joins the Hannover Re Group following 18 years as a member of the management board of Cologne Re.

■ Judith Edstrom, a US national, starts in February as the WORLD BANK's resident representative in South Africa. Edstrom, currently operations adviser to the Southern Africa department director, will be based in Johannesburg.

■ Mike Rademeyer, chairman of Caltex Oil South Africa, replaces Shell Oil's John Drake as chairman of the SOUTH AFRICAN PETROLEUM INDUSTRY ASSOCIATION (Sapia).

■ Carleton Day Pearl, 52, treasurer of MCDONALD'S CORPORATION's has become a senior vice-president and joined the top management group. He joined McDonald's in 1978 from Bankers Trust.

■ Robert M. Amen succeeds W. Michael Amick as president of INTERNATIONAL PAPER – Europe in Brussels. He will be responsible for Zanders Feinpapiere in Germany, Aussedat Rey of France and International Paper-Poland, and will co-ordinate all European activities. He was previously vice-president of the consumer packaging division. Amick has returned to the US headquarters.

■ Richard B. Cheney has resigned from the board of MORGAN STANLEY GROUP.

■ AKZO NOBEL has announced three appointments to take effect from March 1 1996. Folkert Blaisse, 60, general manager of BU Textile Fibers, will become general manager, BU Industrial Fibers, succeeding W.H. Hupjé, who will act as adviser until his retirement. Peter Wack, 48, becomes general manager, BU Textile Fibers and Leo Janse, 52, currently director, strategy and planning (Fibers), succeeds Wack as general manager, BU Nonwovens.

■ Ralph Toledano, previously managing director of Karl Lagerfeld, has been appointed managing director of GUY LAROCHE.

■ Berndt Brunow has joined the UPM-KYMMENE executive board and becomes president for UPM-Kymmene Special Product Companies Raflatac (self-adhesive label stock), UPM-Stationery (stationery products) and Walkisoft (dry-formed paper) as well as Tervasaari Paper Mill. He previously worked as chief executive of Finnpap.

■ Ann McLaughlin, a former US secretary of labour, as a non-executive director of the UK's SEDGWICK GROUP.

■ Gianni Jones, 47, who has both British and Italian nationalities, has been appointed quality director of ALCATEL TELECOM. Since 1993 Jones has been chief operating officer of Alcatel China in Beijing.

■ Shaun M. Kennedy succeeds John G. Holloway as chairman and managing director of EXXON CHEMICAL in the UK. Holloway retires after 33 years with Exxon. Kennedy, born on the Isle of Wight, joined Exxon Chemical at its Fawley manufacturing complex in 1977.

■ Kathy Self joins LAURA ASHLEY as senior vice-president of retail operations in north America. She is currently senior vice-president at KayBee Toys, a division of Melville Corporation, where she is responsible for more than 1,000 stores.

■ Lars-Olof Odlund, executive vice-president of SWEDBANK, the big Nordic Bank, assumes responsibility for group treasury, following Carl Eric Stalberg's appointment as president of JM Byggnads och Fastighets. He will continue to be responsible for Specialbanken, Swedbank's "Work-out" unit which handles problem exposures. Stalberg's responsibility for the bank's real estate management will be transferred to Nils-Fredrik Nyblaeus, head of finance and accounting.

■ Jeffrey Morby, vice-chairman of MELLON BANK and responsible for wholesale banking, will retire in June 1996.

■ Jon Killingstad, 45, managing director of HOECHST DANMARK, succeeds Hans Walter Kueppers, 63, as head of the new industrial paints division of Herberts of Wuppertal.

■ Eckhard Pfeiffer, 54, chief executive of Compaq Computer Corporation, has joined the board of BELL ATLANTIC CORPORATION.

■ Michael J. Kowalski, 43, as president of TIFFANY & CO, the international jewellery retailer.

■ Karsten Witt, 43, former founder and managing director of the Junge Deutsche Philharmonie, becomes president of Hamburg's DEUTSCHE GRAMMOPHON in July. He will report to Chris Roberts, president of PolyGram Classics and Jazz worldwide who, together with Chris Schmoekel, executive vice-president of Deutsche Grammophon, have been overseeing the operations of the label since Gianfranco Rebulla resigned last year.

International appointments

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All chewed up over art

William Packer is not impressed by the latest Saatchi exhibition

The Saatchi Collection remains as much a puzzle as ever. It certainly seems perverse, seeing how well Mr Saatchi is placed, and how wide the field of contemporary art that is open to him, that he should so unerringly fix upon the narrower range of the more ill-formed and pretentious work. But then his money: his choice.

After a run of several shows of such younger British artists, he now turns to four of their American peers, with a further five to follow in the spring. It soon becomes clear that these young people, too, inhabit that same conceptual creative world, striking the same attitudes, sharing the same prejudices and making the same assumptions as to what art is.

Their sincerity is not in doubt. Janine Antoni has taken great lumps of chocolate and lard, and gnawed away at the corners and along the edges. The sculpture she calls "Gnaw". Another work, "Lick & Lather", consists of two life-casts of her own head, one of chocolate, the other of soap, of which the features are to some extent licked and washed away. Taking a life-cast is, you should know, a purely technical process, with the subject's skin smeared with grease, straws stuck up the nose for air, and plaster slapped on to make the mould. It can only be something in that licking or that washing, therefore, that makes of such an exercise a work of art.

Antoni also shows a set of double-portrait photographs, "Mom & Dad", of ambiguous sexual identity and, as a pendant to "Gnaw", a cabinet full of heart-shaped chocolate boxes made from the chewed chocolate, and lipsticks of beeswax, and chewed lard.

Jeffery Deitch, by way of explanation in the catalogue, declares "she has taken personal possession of iconic art-historical vocabulary and infused it with a feminist perspective, creating an unexpectedly powerful rendering of contemporary experience. The structure of her identity is reflected in the structure of her art." We take his word for it.

The work of Sean Landers, whom I know at first hand to be normal, thoughtful and intelligent, takes several forms – a bronze cast of two chimpanzees arm in arm; two small ill-modelled portrait heads on sticks; an array of colour-snaps of the lakes and forests of Nova Scotia and the artist naked in the wilderness; a long video of him striking the exaggerated poses of Renaissance sculpture, dropping his jeans and playing with himself; a set of crudely painted grey-green seascapes of broken waves.

But for the most part he fills his vast canvases with dense masses of text, laboriously written out in capital letters. The content is part autobiographical stream of consciousness, part maunderings on art, on being an artist and the meaning of life. "I want to redefine artist. I want artists to be understood by this nation of morons." On a necessarily arbitrary sampling, it reads as barely literate, which no doubt is an ironical stance. At least, I hope it is.

Deitch puts us straight. Landers has "immersed himself in his own memories, obsessions and reveries as his aesthetic terrain. His scribbled thoughts are elements of a vast mental landscape he has rolled out for us. Landers is structuring his art as a complement to the structuring of his self-identity. We simultaneously experience the artist and his art."

Gregory Green is showing a "Suitcase Bomb", a small cheap suitcase on the floor by the wall, covered in stickers. His "Nuclear Device", a transparent globe on metal legs and sprouting wires, has a room to itself, and a small room beyond has become his "Work Station" installation, full of other putative terrorist devices, ticking away, lacking only their explosive.

Recently he got into trouble with a work about spiking the Chicago water supply. "The work did not contain LSD; it only looked like it did." Ho, ho. "The charges against Green and his dealer were dropped." So that's all right then. "Even in the most deadly game of terror, it may not matter what is real and what is not. It is the concept that counts" – and the crass arrogance of the artist takes the breath away.

The fourth artist is Charles Long, whose brightly coloured biomorphic blobs on spindly legs recall the work of certain British sculptors in the 1960s, such as Roland Piché. A large black rubber bulb sports a single authenticated hair of Abraham Lincoln. A white crystalline form has small mirrors set into its upper facets to reflect the word "Special" on to the wall behind. Blue plastic blobs variously conjoined by integral cords are set out upon the floor. "He is transfixed by the shapes of popcorn . . . For Charles Long, popcorn opens up an entire aesthetic universe . . . each exploded popcorn has its own unique shape . . . Popcorn becomes a lesson in physics and a model of sculptural creation."

One day the penny might drop that art which is self-centred and self-indulgent, art turned in on itself, is fatally limited and of use and interest only to the artist who makes it.

Young Americans – new American Art in the Saatchi Collection Part I: Saatchi Gallery, 98a Boundary Road, London NW8, until March 3: ring 0171-624 8299 for hours open.

Ambiguous: Janine Antoni's double-portrait photograph entitled 'Mom & Dad'

Concert/**Richard Fairman**

Dohnányi and the Philharmonia

While the Philharmonia continues to be without a music director, it will want to promote its association with Christoph von Dohnányi as energetically as it can. The post of principal guest conductor may even become the springboard for Dohnányi to jump into a closer relationship, if the orchestra can persuade him of its financial and artistic prospects.

It is trying hard. After it was snubbed a few years back at the time of the South Bank Centre's selection of its first ever resident orchestra, the Philharmonia went straight out to find alternatives elsewhere. It quickly came up with a residency at the Théâtre du Châtelet in Paris, which must have shaken the opposition back home; then Bedford was added and now Leicester, where the orchestra has recently announced a three-year residency. Abroad, it has two years at Salzburg to come and from 1997/8 – revenge is sweet – will become joint resident orchestra at the South Bank Centre in London after all.

Dohnányi will doubtless have a part to play in various of these plans. During the past week he was in London for a pair of concerts at the Royal Festival Hall, where he seems to be building a following (both evenings were sold out). His strength is in the central Austro-German repertoire, which is what an orchestra would ideally like of its leading conductor.

In typical Dohnányi style, both concerts felt distinctly severe. Wednesday's programme opened by testing the Philharmonia's front desk musicians in an alert performance of Schoenberg's First Chamber Symphony, which never dropped its guard. Emanuel Ax was the soloist with a touch of brilliance in Mozart's A Major Piano Concerto K488, though more lyrical warmth would have been welcome, also from the conductor.

After that it was no surprise to find Dohnányi making Beethoven's Seventh Symphony both alert and brilliant, but the fierce determination with which he articulated its dance rhythms was quite joyless.

Saturday's concert followed a similar pattern: Dohnányi demands unfaltering high standards from his players and his conducting can be relied upon for the same intellectual consistency. This time the strings began, challenged by Mahler's arrangement of Beethoven's Op.95 Quartet, which they despatched with trenchant unanimity. Dohnányi used what today seems a huge orchestra (full strings and double wind) for Schumann's Second Symphony, but there is no slack in the sound he produces, only energy and punch. Any kind of romantic glow could hardly be further from his mind and his view of Brahms's Violin Concerto was equally unsentimental.

The soloist in that was the ever compelling Gidon Kremer, who matched Dohnányi with inward playing of a wiry sensitivity. The overall effect was cool and rational, appealing more to the mind than the heart. Earlier Kremer had taken part in the Philharmonia's 6pm pre-concert slots for new music. These are gaining in strength and Kremer's appearance lent extra authority to two pieces: Georgs Peletcis's *Nevertheless*, more musak than music, and the typically mystic *V & V* by Giya Kancheli. Kremer is in town for an extended series with the Philharmonia. The orchestra can only benefit from a musician of his forward-thinking and intelligence.

Concert sponsored by AT&T.

Obituary

Ruth Berghaus

Few personalities in recent operatic history have provoked such extreme reactions as Ruth Berghaus, the east German stage director who died on Friday near Berlin after a long illness. She was 68.

Berghaus pioneered a style of opera production which jettisoned realism and emotion in favour of alienation, intellectual challenge and ideological debate. She saw music, text and visual effects as separate elements, capable of expressing a multi-dimensional theatrical language. She was the most innovative German opera producer since Felsenstein and Wieland Wagner, but her work irritated large sections of the public, who found it perverse and obscure.

Born in Dresden in 1927, Berghaus grew up in the shadow of Nazism and the war. Her biggest influences were Gret Palucca, whose dance school in Dresden she attended in the late 1940s, and the Brecht circle, into which she was admitted in 1954 as the wife of Paul Dessau.

Her first production was of Dessau's opera *Die Verurteilung des Lukullus* in 1960, but her breakthrough came as a choreographer: she devised the battle scenes for the Berliner Ensemble's 1964 production of *Coriolanus*, after which Brecht's widow, Helene Weigel, made her a member of the company. She became Weigel's deputy in 1970, and when Weigel died, Berghaus became intendant.

Her wilful personality, combined with a love of experiment, brought her into conflict with Brecht's heirs, who resisted her drive to modernise the company's repertoire and style. After her resignation in 1977, she was adopted by the West German avant-garde, and established her name internationally with a series of controversial stagings at Frankfurt. To fellow radicals she became an earth-mother. But her productions scandalised right-wingers, who would rush to the front of the stalls to scream abuse when she took her curtain-call. She never abandoned her Communist principles.

Her few ventures outside the German-speaking world – notably *Don Giovanni* for Welsh National Opera in 1984 and a Brussels *Lulu* in 1988 – were entirely representative of her style: didactic, naively comic, bursting with insights which had to be clutched amid large tracts of neo-Brechtian gobbledygook. Her acting style was surreal, her visual imagery enigmatic. She brought an exactness of observation and execution to everything she did, but her productions often told us more about Berghaus than about the work in hand.

Two rare exceptions were Schubert's *Fierrabras* in Vienna in 1988, to which she and Claudio Abbado brought unexpected theatrical credibility; and her work with Michael Gielen on the Frankfurt *Ring*, the most enduring image of which was Siegfried's corpse being kicked unceremoniously out of the way during the funeral march, enhancing the massive solemnity of the music.

Andrew Clark

Musical/**David Murray**

'Love Life' in Leeds

After Glyndebourne's triumphant *Porgy and Bess* a few years back, Opera North made its own successful foray into Broadway territory with the Kern/Hammerstein *Showboat*. Ever since, it has been hunting for another broad-appeal show to match it; and its choice has fallen upon a musical from 20 years later, the Weill/Lerner *Love Life* – a respectable success in 1948, but scarcely seen since then.

It proves a lively and thoroughly interesting piece, as cobbled together now by their producer Caroline Gawn and musical director Wyn Davies from its successive versions. (It opened in New Haven, as Broadway shows were wont to do, and travelled to Boston before its "official" New York opening; at each stop new numbers were added, others dropped, and even the playing-order changed.) Gawn's production has plenty of professional pizzazz, three excellent leads and a bright supporting cast. In the pit, Davies shows a winning hand with the idiom. Up to a point, it clicks along admirably.

At Thursday's opening, that point was the interval. By then we had watched Sam and Susan Cooper's married life from 1790 to 1920 – they do not age, nor do their two kids – in 30-year jumps, punctuated by "vaudeville" ensembles which draw wry socio-political morals from each historical scene. The shorter second half settles down in 1948; it flagged because the continual scene-shifting, heroically swift in the first half, began to limp. Airy and broad-brush though Charles Edwards' designs are, they demand an inordinate amount of shifting.

There were awkward pauses, and we began to realise that too many of the orchestral interludes are just time-filling reprises, all pretty sketchy: parodies of postwar psychobabble, family collapse, divorce, loneliness, uncertain reunion. With Alan Oke's sturdy, broken-hearted Sam, Margaret Preece's shy Susan turning into a sexily combative feminist, and Geoffrey Dolton's elegant, preening master-of-ceremonies, it *ought* to work. If I sound a bit sceptical, it is because the programme-book presses claims for the status of *Love Life* which I doubt.

Weill fled Germany for America in 1935, parting company with Brecht. He applied himself to assimilating the Broadway idiom, always with the intention of forging a "new" musical theatre with popular appeal. Soon he scored fair successes with his pacifist musical *Johnny Johnson* (1936) and then an anti-Roosevelt tract, *Knickerbocker Holiday* (including "September Song"); major wartime hits in *Lady in the Dark* and *One Touch of Venus*; and in 1947 a critical success at least with his through-composed "American opera", *Street Scene*.

After Brecht, Weill was singularly fortunate in his collaborators: the books and lyrics of his real Broadway hits were respectively by Moss Hart and Ira Gershwin, and by Perelman and Ogden Nash. For *Love Life* he acquired the clever 29-year-old Alan Jay Lerner, temporarily estranged from Frederick Loewe after their *Brigadoon* triumph (though later to reunite for *My Fair Lady* and *Camelot*). Together Weill and Lerner devised *Love Life*'s cool, ironical, long-view scenario.

The fleeting historical episodes of Part 1 track craftsman Sam's disillusionment as the Industrial Revolution takes hold: from his honest one-man furniture factory in 18th-century Connecticut, through faceless factory work and the cruel distances of railroad labour – family life stretched now toward breaking point – to job-insecurity in the glamorous mid-century, when Sam is driven to sell himself on the market.

So far, so schematic. If not exactly a "critique" of capitalism, *Love Life* offers fair illustrations of some of its natural effects; but Lerner's Cooper couple remain mere cartoon archetypes, fast-forwarded through the years while the vaudeville team bounces in at each new juncture to point an acrid moral. Though we admire Oke's and Miss Preece's prowess in their solo numbers, they remain *performers*, not real people.

When loyal, neglected Susan develops an angry 20th-century sense of her own frustrated worth, the tone suddenly becomes modern-introspective, prefiguring Sondheim – much more Lerner than Weill. On records the best individual songs live and breathe; on stage, they seem starved of the background of character and context that we need.

The programme-book makes the usual special pleas for *Love Life*: "20 years ahead of its time", too "dark" and "abstract" for postwar audiences who wanted only mindlessly cheerful relief. The bald fact, however, is that *Love Life* was immediately preceded on Broadway by Irving Berlin's *Annie Get Your Gun* and Rodgers & Hammerstein's *Carousel* (a "dark" enough piece, in all conscience), followed four days later by Frank Loesser's *Where's Charley?* – you remember "Once in Love with Amy" – and shortly by Cole Porter's *Kiss Me Kate* and Rodgers & Hammerstein's *South Pacific*: all of them more effective in the theatre, and boasting more memorable tunes.

We may love Weill for all his music, from Berlin to NYC, but we need not pretend that his Broadway musicals are somehow "better" than those contemporary commercial successes. They aren't, and *Love Life* isn't.

Sponsored by Manchester Airport, with support from Delta Air Lines; five more performances in Leeds this week, and then on to Hull, Sunderland, Nottingham and Manchester.

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

OPERA
Concertgebouw
Tel: 31-20-5730573
● *Aida*: by Verdi. Concert performance by the Radio Filharmonisch Orkest and the Groot Omroepkoor, conducted by Valery Gergiev. Soloists include soprano Galina Gorchakova, mezzo-soprano Olga Borodina, tenor Gegam Grigorian, baritone Nikolai Putilin and bass Sergei Aleksashkin; 2pm; Feb 3

■ ANTWERP

CONCERT
De Vlaamse Opera
Tel: 32-3-2336808
● Marie Térèse Letorney: accompanied by pianist Michel De Bock. The soprano performs songs by Chausson, Barber, Messiaen and others; 0.45pm; Jan 31
EXHIBITION
MUHKA - Museum van Hedendaagse Kunst
Tel: 32-3-2385960
● De Verzameling: exhibition of collages by Marcel Broodthaers, sculptures by Jan Verkruysse, and drawings and installations by Mark Manders; from Feb 1 to Mar 24

■ BASEL

EXHIBITION
Kunstmuseum Basel
Tel: 41-61-2710228
● James Ensor. Das druckgraphische Werk, Sammlung Mira Jacob: exhibition of etchings by the Belgian artist James Ensor (1860-1949), from the collection of Mira Jacob. The exhibition includes all of the approximately 160 etchings made by Ensor, most of which were created between 1886 and 1904. Of special interest are 21 etchings coloured by the artist himself; from Feb 3 to May 5

■ BERGEN

CONCERT
Grieghallen Tel: 47-55-216150
● Bergen Filharmoniske Orkester: with conductor Janos Fürst and violinist György Pauk perform works by Beethoven and Brahms; 12noon; Feb 2

■ BERLIN

DANCE
Staatsoper unter den Linden
Tel: 49-30-2082861
● Ballett unter den Linden: perform the choreographies Carmen-Suite by Alberto Alonso to music by Bizet/Stschedrin, and Carmina Burana by Youri Vámos to music by Orff; 8pm; Feb 3, 4 (6pm), 7 (7pm)
OPERA
Komische Oper Tel: 49-30-202600
● Les Contes d'Hoffmann: by Offenbach. Conducted by Christoph-Albrecht von Kamptz and performed by the Komische Oper; 7pm; Jan 31; Feb 1

■ BONN

OPERA
Oper der Stadt Bonn
Tel: 49-228-7281
● Don Giovanni: by Mozart. Conducted by Shuja Okatsu and performed by the Oper Bonn. Soloists include Michael Volle and Karen Notare; 7pm; Feb 3

■ CHICAGO

THEATRE
The Goodman Theatre
Tel: 1-312-443-3822
● Unjustifiable Acts: by Iverson. Directed by Harry J. Lennix. The cast includes Amy Morton and Tim Rhoze; Tue (Feb 20, 27), Wed, Thur, Sun (Feb 4, 11, 25) 7.30pm, Fri, Sat 8pm, Sat (Feb 17, 24, Mar 2), Sun also 2pm; from Feb 2 to Mar 3 (not Mon)

■ HAMBURG

CONCERT
Musikhalle Hamburg
Tel: 49-40-346920
● Hamburger Symphoniker: with conductor Klauspeter Seibel perform Zemlinsky's Die Seejungfrau and Mendelssohn's Symphony No.3; 7pm; Feb 3, 4
EXHIBITION
Hamburger Kunsthalle
Tel: 49-40-24862612
● Im Licht der Renaissance. Graphik der Brüder Beham: exhibition in commemoration of Gustav Pauli, director of the Hamburger Kunsthalle from 1914 to 1933. The display includes some 65 engravings and woodcuts by the brothers Sebald (1500-1550) and Barthel (1502-1540) Beham; from Feb 2 to Mar 31

■ HELSINKI

OPERA
Opera House Tel: 358-0-403021
● The Last Temptations: by Kokkonen. Conducted by Kari Tikka and performed by the Helsinki Opera. Soloists include Martti Wallén, Satu Vihavainen, Pertti Mäkelä and Hellevi Seiro; 7pm; Feb 2

■ LONDON

CONCERT
Barbican Hall Tel: 44-171-6388891
● An Evening with Paolo Conte: the only British concert by Conte, which coincides with the release of his new album Una Faccia in Prestito; 8pm; Feb 3
Wigmore Hall Tel: 44-171-9352141
● Josef Suk and Josef Hala: the violinist and the pianist perform sonatas by Brahms, Dvorák and Franck; 7.30pm; Feb 2

■ MUNICH

EXHIBITION
Haus der Kunst Tel: 49-89-211270
● Corot, Courbet und die Maler von Barbizon. "Les amis de la Nature": exhibition devoted to the Barbizon school, a group of mid-19th-century landscape painters who settled in the village of Barbizon in the forest of Fontainebleau and were the forerunners of the Impressionists. The exhibition includes some 300 paintings, drawings, watercolours and prints by Barye, Corot, Daubigny, Decamps, Diaz, Dupré, Huet, Jacque, Millet, Rousseau, Troyon and Courbet; from Feb 4 to Apr 21
OPERA
Nationaltheater
Tel: 49-89-21851920
● Le Nozze di Figaro: by Mozart. Conducted by Peter Schneider and performed by the Bayerische Staatsoper. Soloists include Peter Coleman-Wright, Pamela Coburn, Ann Taylor-Morley and Alberto Rinaldi; 7pm; Feb 2, 5

■ NEW YORK

CONCERT
New York Public Library for the Performing Arts - Bruno Walter Auditorium Tel: 1-212-870-1721
● Our First Hundred Years. Music of the Library's Century, 1895-1995: the Manhattan Brass Quintet perform music by New York composers; 3pm; Jan 31
OPERA
Metropolitan Opera House
Tel: 1-212-362-6000
● Il Barbiere di Siviglia: by Rossini. Conducted by Adam Fischer and performed by the Metropolitan Opera. Soloists include Jennifer Larmore, Raúl Gimenez and Mark Oswald; 8pm; Jan 31; Feb 3

■ PARIS

CONCERT
L'Opéra de Paris Bastille
Tel: 33-1 44 73 13 99
● Orchestre de l'Opéra National de Paris: with conductor Georges Prêtre perform works by Gershwin and Bernstein; 8pm; Feb 3

■ ROTTERDAM

EXHIBITION
Museum Boymans-van Beuningen
Tel: 31-10-4419400
● Schatten van de Tsaar. Hofcultuur van Peter de Grote uit het Kremlin: exhibition of treasures from the Kremlin. The display focuses on life at the Tsars' court in Moscow; to Feb 11

■ SALZBURG

CONCERT
Grosses Festspielhaus
Tel: 43-662-80450
● Orchestra of the Age of Enlightenment: with conductor Frans Brüggen and soprano Nancy Argenta perform works by Haydn, Mozart and C.P.E. Bach. Part of the Mozartwoche '96; 7.30pm; Feb 1

■ SAN FRANCISCO

EXHIBITION
M.H. De Young Memorial Museum
Tel: 1-415-750-3600
● John James Audubon: travelling exhibition of Audubon's original watercolours for *The Birds of America*; from Feb 3 to Apr 14

■ WASHINGTON

OPERA
Eisenhower Theater
Tel: 1-202-467 4600
● Werther: by Massenet. Conducted by Cal Stewart Kellogg and performed by the Washington Opera. Soloists include Michael Myers and Charlotte Hellekant; 7.30pm; Feb 2, 5, 7, 9, 11 (2.30pm)

WORLD SERVICE
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FT Business Morning

10.00
European Money Wheel
Nonstop live coverage until 14.00 of European business and the financial markets

17.30
Financial Times Business Tonight

Midnight
Financial Times Business Tonight

Martin Wolf

No clarity of purpose

The European Union faces a choice between moving towards a federal destiny and embracing 'variable geometry' with a core of shared activities

What is the purpose of the European Union? People must confront this question if the member states are to decide how it should develop. With another inter-governmental conference due to start shortly, monetary union due to begin in 1999 and enlargement on the horizon, such clarity is urgently needed.

For true believers, Europe is more than a mechanism, it is a faith. This is in keeping with the history of this continent. Religion, revolution, socialism and nationalism have all in their time been judged good reasons for living – and for killing and being killed. Building a united Europe is another grand cause, one expected to bind the wounds created by previous passions.

However noble the aim, the EU must be judged by its usefulness. It does not, as yet, define the identity of the peoples who live within its borders. That may change. But it will do so only if its utility becomes self-evident.

So what is the EU for? The answers that have been given fall under three heads: prosperity, peace and power.

The EU did help bring prosperity, but its capacity to bring more may be exhausted. The stimulus brought by the original common market largely disappeared by the mid-1970s. The single-market programme produced a burst of investment and growth in the late-1980s. But this too seems to be largely in the past. This pattern is also what economics would suggest: the incremental deepening of inward-looking liberalisation brings diminishing returns, particularly when the world's most dynamic economies are elsewhere.

Meanwhile, Europe is, as the chart shows, scarred by high unemployment. This is explained by the generous welfare provision and complex labour market regulations of member states. But the EU might aggravate this calamity. It would do so by promoting damaging policies with the rationale that once some countries have distorted their labour markets, others must too, since trade would otherwise be unfair.

Europe is also on the march towards monetary union. In the 1990s, pursuit of this goal has meant a series of currency crises, along with unnecessarily tight monetary policy in several member states. But the questions about monetary union concern the destination still more than the path. If the single currency were to cover a group of hard-currency countries, it would make little difference; if it were to cover Europe as a whole, it would close a safety valve – the exchange rate – that has facilitated adjustment in the past.

As for peace, until 1989 it was maintained by the presence of the US, the political division of the continent and the postwar economic recovery. Things have changed, not least because of Germany's unification. Yet is conflict between the European powers more than a bogey with which to frighten children?

Germany and France have fought three disastrous wars since 1870. But they are now stable democracies that have rejected the militarism that once permeated their societies; they have ageing and correspondingly conservative societies; and they have no conflicts of interest – on the contrary they have the greatest possible interest in close co-operation. To argue that they must unite if they are not to fight is doubly incredible: it suggests not just that they are quite mad, but that a piece of paper would stop them from acting out their folly.

Finally, and perhaps most importantly, the EU offers the hope of power to Europe as a whole and, above all, to its elite. This multi-state edifice, with 15 members and a population of 370m, is ruled by an unaccountable council of ministers with effective powers vested in its technocracy, the principal civil servants in Brussels and national capitals. That the consequent structure is undemocratic all agree. This is partly because it was intended to be so by the founding fathers, who knew too well how easily democracy could turn into demagogy.

Less often is it recognised that it is almost impossible for the EU to be more than formally democratic. This is partly because of its scale. The problem Americans have with Washington, Europeans will always have with Brussels – if not more so.

More fundamentally, the difficulty arises because Europe is multilingual and multicultural. Democracy means far more than voting for representatives in vast constituencies every four years. Properly understood, it is a continuous dialogue between potential rulers and the ruled. In modern literate societies, such a dialogue requires a common language – which means more than the language itself, important though it is – but shared expectations, values and sense of history. Can Europe ever have this, even to the extent the US does?

The EU also offers power in a more obvious way. It would be a superpower. It already has the largest gross national product and the largest external trade of any economic entity. The attractions of controlling such a colossus are self-evident. Whether it would be such fun for European citizens is more debatable.

Size is not economically decisive, or even helpful. The World Bank's latest atlas shows that the six wealthiest economies, in terms of real incomes per head, are Luxembourg, the US, Switzerland, Hong Kong, Singapore and Japan, in that order. More remarkable is the number of very big, poor countries. Just consider China, India, Indonesia, Brazil, Russia, Pakistan, Bangladesh and Nigeria.

What size can do, however, is increase security against military threats. Yet those advantages can be – and have been – secured by military alliances, notably by Nato. Under US leadership, this organisation has maintained the peace in Europe. It could form the basis for a unified western security structure with global scope. Arguably, preservation of this structure, with full French participation and a strong European component within the Western European Union, remains the best basis for European security. A European superpower is, by contrast, too likely to define itself against the US.

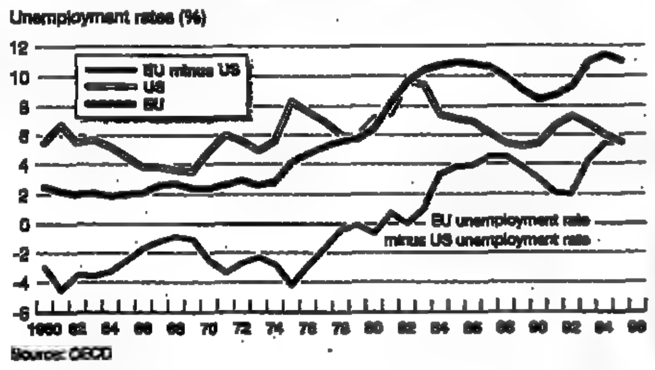
Prosperity, peace and power – in all three respects the EU has either done what it can or could in future prove counter-productive. Correspondingly, the desirability of moving towards a single polity that embraces all its members in shared European statehood is at the least debatable. As important, if that is where Europe wishes to go, it must at last develop a constitution.

The EU has a choice. One option – the less attractive – is towards a federal destiny. In that case, as was cogently argued by Frank Vibert of the London-based European Policy Forum last year, it needs what it does not now have – a fully articulated constitution.* The other is to embrace "variable geometry". A core of shared activities would then be defined, its essence presumably being Europe's already largely achieved economic space. Agreements among member states – and between them and outsiders – would then develop in other areas, as and when they are needed.

This is the choice European states are not confronting. Instead, they are devoting their energies into becoming what would be a quasi-federal entity, but at glacial speed. Almost nothing that is happening – be it within the EU, among near neighbours or in the world at large – seems as worthy of attention as yet another inter-governmental conference or whether fiscal deficits will be 3, 3½ or 4 per cent of gross domestic product in an arbitrary year. The process has simply become too painful. Europeans need, instead, to decide what they want their union to do and design it accordingly.

Frank Vibert, Europe: a Constitution for the Millennium (Aldershot: Dartmouth, 1995).

The European Union's unemployment disaster



Source: OECD

South Africa is becoming an important target for investment by carmakers, says Mark Ashurst

Where drive is the essential component

For a country with seven domestic car manufacturers but fewer than 100 vehicles per 1,000 population, South Africa seems an unlikely target for investment by the global car industry.

According to Mr Chris Moerdyk, public affairs manager of the South African subsidiary of BMW, the German carmaker: "If these companies got together now to choose countries for a new operation, South Africa would not be in the top 20."

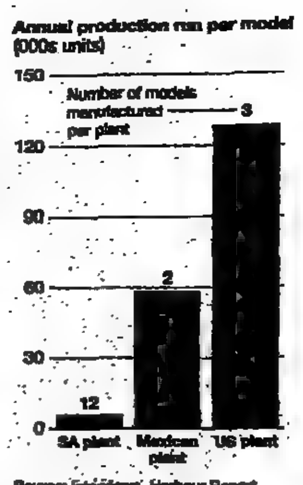
Yet last week, his company announced a R1bn ($275m) investment to raise production at its Rosslyn plant, north of Pretoria, to 25,000 cars per year by 1998. Other international carmakers such as Ford, Nissan, General Motors and Toyota are also increasing their activities in South Africa.

For example, Ford plans to turn Samcor, the local manufacturer of Ford and Mazda vehicles, into its sole supplier globally of Escort 1.4 litre engines. Jointly owned by Ford and Anglo American, each of which hold a 45 per cent stake, Samcor's initial contract is for 200,000 engines over a period of 30 months – about 400 engines per working day. Ford plans further investments, according to Mr Alex Trotman, chairman and chief executive.

Other recent investments from abroad include:

- Injections of R37.5m by Nissan Diesel and R75m by Mitsui, the Japanese industrial holdings company, in Automakers, owners of Nissan South Africa and its subsidiary, Nissan Africa.
- A four-year R610m refurbishment at Delta Motor Corporation, the locally owned manufacturer of General Motors' Opel Kadett model, boosting capacity to 100,000 vehicles a year.
- A R1.4bn investment over five years by Toyota South Africa. On the strength of a 10-year manufacturing and distribution agreement with its Japanese parent company, the group expects to export up to 20 per cent of production by 2000.

South African cars



Source: Interviews, Harbour Report

The South African market remains tiny compared with more developed countries in Europe, which have about 400 vehicles per 1,000 population.

Sales are predicted to rise by 5 per cent this year – compared with a predicted growth rate of 2 per cent worldwide – but this is likely to be no more than 400,000 vehicles.

However, reductions in import tariffs are attracting new entrants to the market. Duties have fallen from 125 per cent to 65 per cent in the past 18 months, and will fall to 40 per cent by 2002 in line with Gatt levels.

Volvo, Saab, Peugeot, Hyundai and Daewoo opened dealerships in the country for the first time last year, importing around 15,000 vehicles.

Mr Brand Pretorius, chairman and chief executive of McCarthy Motor Holdings, the country's leading car retailer, predicts imports of finished cars will account for about 30 per cent of sales by 2000.

This alone would force local manufacturers to improve their efficiency. The cost of assembling international models in South Africa is at least 40 per cent higher than in the US or Germany, partly because the production runs are so short.

Even components – which make up the bulk of exports – are expensive in comparison with average world prices. The additional cost of South African components ranges from 16 per cent for BMW to 51 per cent for Mercedes and Honda.

The local industry is reducing engineering and production costs by building fewer models and variations. Two years ago, BMW's Rosslyn plant north of Pretoria made the full range of BMW cars. Today it manufactures only 3-series models.

An additional incentive to invest was provided by the seven-year Motor Industry Development Programme launched by the government in September. Its aim, according to Mr Nico Vermeulen, director of the National Association of Automobile Manufacturers of South Africa, is "to make the industry more internationally competitive and domestic cars more affordable".

With 43 per cent of a locally made car consisting of imported parts, the programme introduces incentives to encourage exports. Manufacturers qualify for exemption on duties for components to the value of locally made exports.

Hence, BMW's factory in Northwest province is stepping up output of leather seats, which last year accounted for the largest share of the group's R850m exports. Once that figure equals the R1.2m of components the group imports, BMW will pay no duty.

For finished cars, the most promising markets are those of Africa, Australia and the Far East where the right-hand drive models built in South Africa need no adaptation. Components will find their way to all corners of the globe as the South African carmakers become competitive.

"In that respect the global motor industry is becoming a lot like the money market," says Mr Moerdyk of BMW.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'). e.mail: letters.editor@ft.com. Translation may be available for letters written in the main international languages.

Germany taking a Grimm path to monetary union

From Mr David Marsh.

Sir, In calling for an attempt to convince Germany of the advantages of giving up the D-Mark in favour of economic and monetary union, your editorial "Faltering at Emu's altar" (January 29) draws on a comparison with a fairy tale in which France has to "woo" the reluctant bride of German public opinion.

The analogy which springs to mind is, of course, the tale of Rumpelstilzchen from the Brothers Grimm.

The king, who is not at all disposed to the betrothal of his son to a poor handmaiden, calls upon the heroine, as a condition for the princely marriage, to spin successive roomfuls of straw into gold.

Each time the hapless girl discharges the task (thanks to the intervention of Rumpelstilzchen, a misshapen manikin who eventually comes to a sticky end), the room and the quantities of straw get larger.

So it has been with France and Germany along the trail to Emu. Each German demand – making the planned European central bank a clone of the Bundesbank, placing it in Frankfurt, abandoning the name of Ecu for the new currency, establishing new tough post-Emu "convergence criteria" – has been agreed by France. Each time, German public opinion fails to be convinced that the new currency will be better than the D-Mark. And each time German politicians put forward new conditions.

The golden law of Emu makes Grimm reading: there will always be five German criteria for monetary union which have yet to be fulfilled.

David Marsh,
director of European strategy,
Robert Fleming & Co,
25 Copthall Avenue,
London EC2R 7DR, UK

Significance of diamond contract being eroded

From Mr Guido Giovanni-Torelli.

Sir, For the second time De Beers has extended by one month its five-year marketing contract with the Russian diamond industry, which technically expired at the end of 1995 ("De Beers talks with Russia fail", January 19). Extension after extension, the renewal's negotiations seem to go nowhere, watering down the significance of the "contract" itself, to which the various communiqués released jointly by De Beers and the Russians now refer to as "co-operation".

Nicky Oppenheimer, chairman of the Central Selling Organisation, recently stated: "Although we have not as yet been able to reach agreement, I do not see in this the problem that some commentators predict." The problem is that a matreshka has been thrown into the single-channel marketing mechanism which, for the past six decades, has ensured some stability to the diamond industry worldwide. The problem also lies with the myriad of operators who have been following every move of this interminable Russia vs De Beers chess match, holding their breath for months now. Nevertheless, Mr Oppenheimer recognises that "the future may remain somewhat confused." Chess is not cricket.

The late Sir Philip Oppenheimer was the architect of the CSO's relationship with the Russian diamond industry as he negotiated the first contract in 1959. Legend has it that – after days of fruitless discussions in Moscow – Sir Philip walked away from the table, got in his car and ordered the driver to take him to the airport. While the Russians were running after him Sir Philip stopped the car, rolled down his window, extended his hand and sealed the contract on his terms.

Guido Giovanni-Torelli,
editor, Diamond Insight,
790 Madison Avenue,
New York, NY10021, US

Unique view

From Professor Bernard P. Brennan.

Sir, Will the *Oxford English Dictionary* be recording the new, and unique, meaning of alumnus which appeared in the FT (Books: "Saint, sinner or just a tease?") on January 6. "The Muggeridge papers are deposited at Wheaton College in Illinois, the alumnus of Billy Graham. . ."?

Bernard P. Brennan,
professor of English,
Pace University,
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New York, NY 10038, US

Hope for positive exchange on Jewish faith

From Mr Selman Selvi.

Sir, The article "Fear of being left out" concerning UK jewry touches a most essential point which is at the heart of discussions within Jewish communities around the world.

There is no such thing as "getting away from Judaism" in the "liberal/reform" or "conservative" approach to religion. This is the "orthodox" view as by definition it cannot tolerate any other approach but its own.

I hope that when religious pluralism is finally be introduced in Israel, Jewish communities around the world will end those sterile discussions and undertake positive exchanges that will give a rejuvenated life to Jewish faith for it to continue adapting itself as it has since time immemorial.

Selman Selvi,
immediate past president of the Geneva Liberal Jewish Community,
4 rue du Grütli
1204 Geneva, Switzerland

From Mr Martin D. Stern.

Sir, Sir Stanley Kalms ("Fear of being left out", January 27/28) may be one of the most successful businessmen in the UK, but I am not aware that he an expert on Jewish law and philosophy.

Like most ordinary Jews, I find his recent outburst against the chief rabbi utterly offensive. How can he treat our spiritual leader as though he is a manager of one of his stores who has not met his sales targets?

Martin D. Stern,
7 Hanover Gardens,
Salford M7 4FQ, UK

Hard-nosed should not be confused with short-termist

From Mr David Morgan.

Sir, Professor John Kay's "Social life of the markets" (January 17) has unleashed a useful debate: the question of how to manage a business within a social and cultural context is important.

But I fail to see how Peter Burton (Letters, January 26) can characterise as "short-termism" my assertion that a company should expect development of its employees to lead to profit.

I said very clearly (Letters, January 24) that profit should be expected "now or in the future". The time-scale is defined by the business vision and the scale of the tasks at hand: it may be several years, or indeed a career lifetime. And the all-important employee motivation will of course flow from the personal development.

I am arguing for an expected overall return on personal development, not a quick or "immediately obvious" one. Call me hard-nosed if you will, but short-termist is inaccurate. It is important that we do not confuse these different management characteristics.

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FINANCIAL TIMES

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Tuesday January 30 1996

Better the ballot box

The search for peace in Northern Ireland generates hope, fear and mistrust in equal measure. For every day that the ceasefire holds there are gloomy predictions that it will soon break down. Such has been the prevailing mood during the past week. The British and Irish governments must now act jointly to rebuild optimism.

The indignation in Dublin which greeted Mr John Major's plan for an elected convention in Northern Ireland was at once explicable and unproductive. Mr Major mishandled his response to the Mitchell report on the decommissioning of IRA weapons. In his anxiety to sidestep the suggestion that Sinn Féin, the IRA's political wing, be admitted to all-party talks in advance of any decommissioning, Mr Major failed properly to consult Mr John Bruton, his Irish counterpart. He also paid insufficient attention to the concerns among Northern Ireland's nationalist politicians.

But the public anger in Dublin and the denunciations of the mainly-Catholic SDLP and of Sinn Féin have done nothing to advance the cause of negotiations. And if Mr Major has seemed too willing to please Ulster's unionists, Mr Bruton's administration has seemed too anxious to speak for Sinn Féin.

Sinn Féin's complaint is that Mr Major has replaced one precondition for its admission to all-party talks with another. If the IRA will not rid itself of some of its weapons, it must accept the unionist demand for elections. In a sense, that analysis is correct. But in asking no more of Sinn Féin than that it seek a democratic mandate, the UK government has lowered rather than raised the hurdle to negotiations. Mr Tony Blair, the Labour leader, has recognised that point in deciding to back Mr Major's plan.

Mr John Hume, the SDLP leader, has raised other fears. In the past, assemblies in Northern Ireland have been an instrument of unionist domination. In this instance, the unionist majority might be seeking to entrench its veto over substantive negotiations. These are real concerns. But they can and should be answered in the structure and remit of the proposed new forum.

First, the convention should be set firmly within the so-called three-strand approach to negotiations, explicitly recognising the north/south and the London/Dublin dimension to any final settlement. Second, its remit should be strictly defined as that of a negotiating forum, without legislative or administrative powers. And third, the government should give the convention a firm timetable for the start of substantive all-party talks.

If those conditions are met, no-one should have anything to fear from the ballot box. Mr Major should act speedily to offer such reassurance. Mr Bruton should then press Sinn Féin to participate – and to accept the six principles demanded of it in the Mitchell report to demonstrate a real commitment to permanent peace.

Polish politics

Poland's Social Democratic party, born in 1990 from the ashes of the communist party, demonstrated its support for Mr Jozef Oleksy over the weekend by electing him as party leader. Only days before, he had been forced to resign as prime minister, because of allegations that he had passed secrets to former KGB agents.

The party's vote of confidence must be personally gratifying to Mr Oleksy who was a capable and pragmatic leader of the coalition government. He pressed ahead with privatisation, supported the drive for lower inflation and a tightly controlled budget, and helped to keep Poland on the path of dynamic economic growth and social stability. He will doubtless be an equally competent manager of the party.

But Mr Oleksy's rehabilitation before he has cleared his name pre-judges the outcome of the investigation now under way. If, on the evidence presented to the prosecutor, Mr Oleksy does have to face trial for treason, what has hitherto been a personal crisis could turn into an acute embarrassment both for him and for the party as a whole.

On the other hand, his forced resignation was of dubious justification. The accusations against Mr Oleksy looked suspiciously like a last minute effort by Mr Lech Walesa, the outgoing president, to embarrass his successor, Mr Alexander Kwasniewski, and the former communists generally.

If that was Mr Walesa's objective he has succeeded. But by involving the secret police in his manoeuvres, Mr Walesa has also shown how wedded he remains, in spite of his record of courageous opposition to communism in the Solidarity movement, to the tactics and ways of thought inculcated by the old regime.

In 1989, Mr Walesa and Mr Kwasniewski both took part in round table talks. They led to a power sharing agreement in Poland itself and set a precedent for the peaceful collapse of communist rule throughout the Soviet empire. Part of the deal was an agreement to "draw a thick line" under the past, with no witch-hunts about the past and a focus on the future. Mr Walesa breached that agreement once the former communists were elected back into government and into the presidential palace.

It is now up to the former communists in Poland to demonstrate that they will continue to play by the democratic and legal rules established after 1989. Mr Oleksy should have delayed his return to active politics until the legal process had run its course.

Former communists have returned to power through much of the former Soviet-ruled world. It has proved easier to transform centrally planned economies than to repair the social and psychological damage caused by totalitarian rule, and to create democratic institutions.

Penny wise

To govern is to choose. John Major's government has chosen to make room for tax cuts by cutting public spending. But in doing so it has fallen back on the tried formula of spreading the misery thin, which pushes invidious choices down the chain of command.

Politically, that may be shrewd. Resentment is deflected on to underlings, and energies diverted into intradepartmental struggles. For instance, those lobbying to preserve the British Council, the BBC World Service or the overseas aid budget are driven to focus their anger first on the foreign secretary, then on the diplomatic service, and finally on each other.

Yet the foreign office and overseas aid administration together account for only 1.3 per cent of government spending, compared with 7 per cent for defence and 29 for social security. Those proportions themselves are scarcely discussed. Such methods tend to punish rather than reward earlier successes in eliminating waste; and they can cripple the work of a small but valuable department for the sake of very small savings.

The World Service and the British Council are cases in point. Both come under the heading of "cultural diplomacy", which serves to stimulate foreigners' respect for, and interest in, Britain. The benefits are hard to quantify, but real. The World Service has obtained testimonials to that effect from business leaders – as has the British Council from the chairman of the House of Commons foreign affairs select committee, David Howell (not the wettest of Tories), who has described the £22m cut in the British Council's budget as "a touch of the slash and burn". The Council, says Mr Howell, helps create a climate "which enables British investment to go overseas and British goods to go after it", and which highlights "the attractive nature of this country so that everyone wants to invest here".

Both the World Service and the Council have shown that they can earn money commercially – the BBC through World Service Television, the Council through its language teaching business. In both cases there may be scope for a greater degree of cross-subsidy, but too much commercialism can endanger their public service role.

The BBC's vulnerability to commercial pressures was demonstrated when Rupert Murdoch, regarding it in part as a competitor, cut off its access to viewers in much of Asia via his Star TV satellite. The Council's commercial activities are increasingly resented by British higher education institutions and language schools, which must compete with a public body whose tasks include the promotion of their products.

Both the World Service and the British Council are national institutions serving national interests. They should be protected from cuts which might impair their ability to do so.

A thirst in the desert states

Oil prices are low and Gulf countries claim they need capital, but foreign investors are being thwarted, says Robin Allen

"Middle east closed for business", ran a headline in a Gulf newspaper after the economic summit held in Amman last October to promote investment in the middle east and north Africa.

That may sound overly pessimistic, but it reflects the stagnation of the Gulf economies. Of the six Gulf allies led by Saudi Arabia, only two – Oman and Qatar – sent delegates to the summit with a list of development projects for which they wanted foreign investment.

The recent deal to secure $1.2bn (£798.4m) of financing for a new Kuwaiti petrochemical project, in which Union Carbide of the US has a 45 per cent stake, was a rare success in a region struggling to attract investment in industry and infrastructure.

Demonstrations in Oman and Saudi Arabia in 1994 and spasmodic unrest in Bahrain which has led to the imprisonment of several hundred protesters bear witness to the economic and social malaise in the Gulf states.

After 25 years of spectacular economic growth and lavish lifestyles sustained by high oil revenues, the six members of the Gulf Co-operation Council – Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates – are running short of cash. With oil prices low, they all need, and claim to welcome, foreign investment.

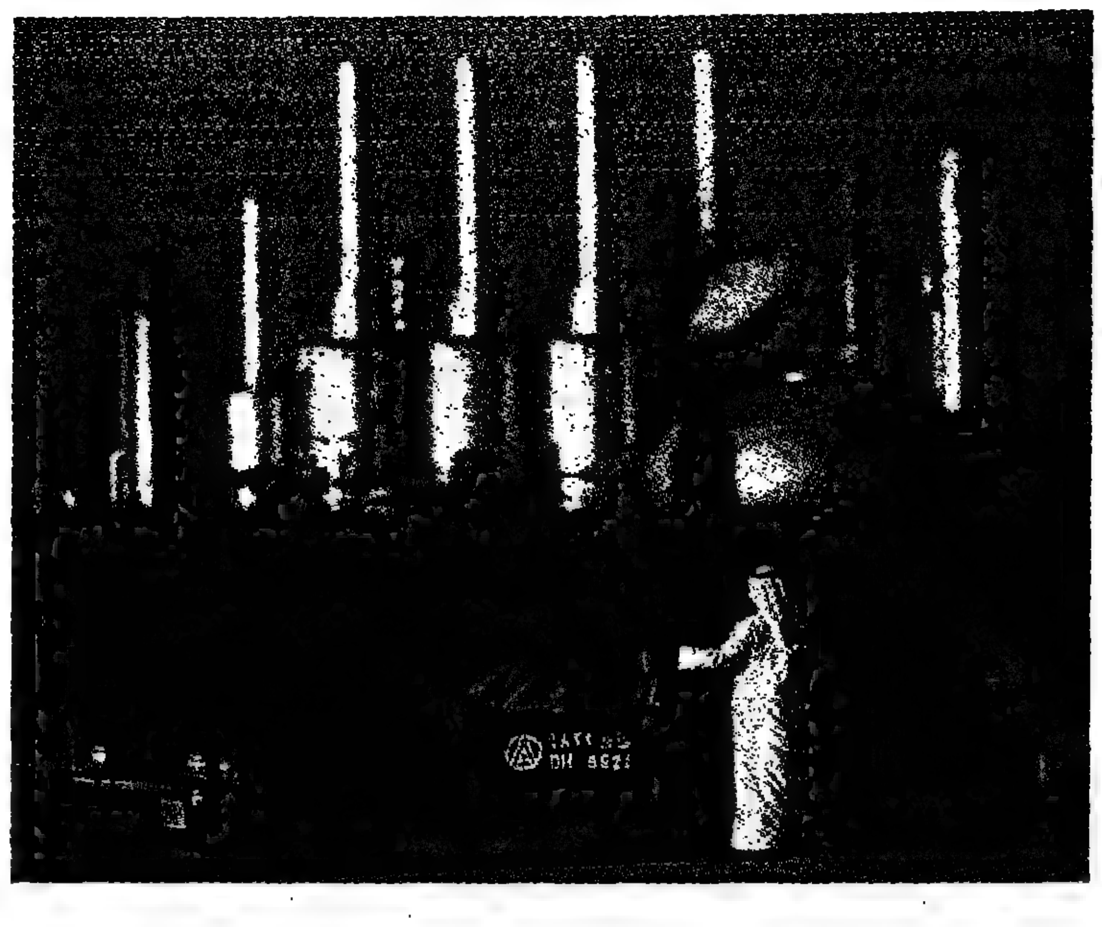
But unlike other regions thirsty for funds, such as eastern Europe and south-east Asia, the Gulf states have kept their markets largely closed to outside investors. Gulf business executives are increasingly anxious that they will be left behind in the the global competition for investment funds because of the inertia of their governments.

They are particularly concerned by the prospect of rivalry from countries such as Jordan, which has made peace with Israel and is actively encouraging investors.

Mr Khaled al-Fayez, president of the Gulf Investment Corporation, the joint investment bank of the GCC governments, said recently: "GCC states must cut red tape and adopt laws to attract outside capital to avoid being marginalised by the new middle east."

Collectively the council – a loose political, economic and defence grouping set up by the six hereditary monarchies in May 1981 – owns more than 40 per cent of proven global oil reserves as well as 15 per cent of the world's known reserves of natural gas.

The west needs oil; Asia needs both oil and gas. All have a vested interest in the stability of the Gulf, and, given the right incentives, would like to invest in the region.



But foreign investors are discouraged from investing in the region by a range of obstacles, including the lack of unified customs tariffs or a common investment policy; restrictions on cross-border movements of both goods and people; unwritten rules making it hard for outsiders – even the citizens of other GCC states – to invest in the economies of the Gulf; restrictions that prevent foreigners buying shares in the Gulf's "emerging" stock markets; cumbersome visa regulations; and government monopolies in various industries and services.

Other factors include the lack of corporate transparency, a very poor flow of business information, sweeping press censorship, and a complete absence of public ministerial accountability.

Lucrative sectors in some states, notably oil production, are closed to foreigners. Even non-oil industries – including petrochemicals, electricity, and some financial services – are often inaccessible to outsiders. In November yet another Japanese trade delegation left without public comment after studying the countries' non-oil sectors. They were deterred, trade officials said, by the impossibility of owning land or setting up a joint venture where they could be the majority shareholders.

Most lucrative business opportunities, such as agencies and franchises to distribute foreign products, fall into the laps of well-connected Gulf nationals, including members of the ruling families.

Even in Dubai, the United Arab Emirates city-state that claims the greatest commitment to the free-market economy, the ruling family controls all the main sectors of the economy: real estate, banks, ports, heavy industry and the airline.

Yet GCC governments badly need an inflow of capital. Low oil prices have led to a freeze in state-sector employment in all council countries, while cuts in government spending mean that future jobs will have to be created by the private sector.

In the absence of enthusiasm from foreign investors, one option would be to lure back the assets of wealthy Gulf individuals – worth more than $250bn – now held outside the middle east in more developed financial markets. But these people are as wary as foreigners of the risks and bureaucratic obstacles involved with investment in the Gulf; billions of dollars continue to flow out of the council countries into safe havens abroad.

Individually, the markets in those countries are not big enough to attract most foreign investors. Yet the task of creating a free-trade area has barely started. UAE, by no means the smallest market of the six, "is too small on its own and too restrictive for major US companies to take it seriously," a US trade official told a private gathering of US business executives last year.

Gulf officials and businesspeople have become increasingly outspoken on the need for both economic and political cooperation.

A senior official of Dubai's chamber of commerce, Mr Obaid Humaid Al-Tayer, whose brother is a federal UAE minister of state for finance, says privatisation efforts and steps to attract foreign direct investment are "going nowhere" because fundamental legal, economic and social constraints were not being addressed.

Governments should "stop drafting laws and regulations" and instead adopt practices developed in other parts of the world and adapt them to the needs of the Gulf. Mr Al-Tayer says: "There is no uniform legal structure or regulatory framework with regard to fraud, stock market operations, monopolies, investor and consumer protection and company disclosure laws."

But these notions to encourage foreign investors involve planning on a scale outside the experience Gulf rulers. Worse still from their point of view, they would involve loss of authority over hitherto valuable sources of revenue. Gulf rulers are by nature wary of change.

For a decade and more Gulf officials have talked of ambitious plans for regional development, including cross-border ownership of banks and companies, and even of unifying the six countries' gas and power grids.

In the run-up to last month's GCC annual summit in Oman, public interest and expectations were aroused by talk of trade liberalisation, the possibility of resolving historic border disputes between member states, and the need to strengthen the defence of the council countries.

All expectations were dashed. The final communiqué contained not a single reference to the GCC's internal development. Instead it was a collection of complaints about the behaviour of countries outside the council, including Iran and Iraq.

The subject of tariff unification did not even come up. Earlier discussions at ministerial level had suggested a compromise level for GCC import duties of between 6 and 10 per cent. But Dubai, the second richest of the UAE city-states and the one most committed to trade competition, refused to allow the minimum to rise above the present 4 per cent. Without the UAE's consent, tariff unification will remain a pipe dream.

Meantime the countries' poorer neighbours are actively competing for foreign investors. Iran has thrown open its petrochemicals sector. Jordan is increasingly regarded by Gulf as well as western investors as belonging to a near-eastern economic region which would include Egypt and Israel. It had a $400m budget surplus last year, excluding overseas grants, and forecasts growth of 6 per cent this year, according to Mr Basil Jardaneh, the finance minister.

The GCC, like the Organisation of Petroleum Exporting Countries, "is no longer kicking, just analysing and whingeing," says one western diplomat. "Too much analysis leads to paralysis," adds a Gulf banker. "They have diagnosed the problems to death. What governments need is the courage to apply the therapy. You have to have outside experts working alongside governments. They have the money but they don't use it properly."

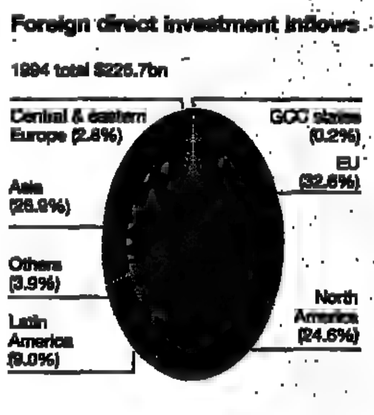
Gulf states: a dearth of investment

Real GDP growth

(%)	1994	1995 est
Bahrain	2.3	2.7
Kuwait	4.0	2.5
Oman	3.5	5.3
Qatar	-4.0	-2.1
Saudi Arabia	-1.8	1.0
UAE	-0.8	1.0

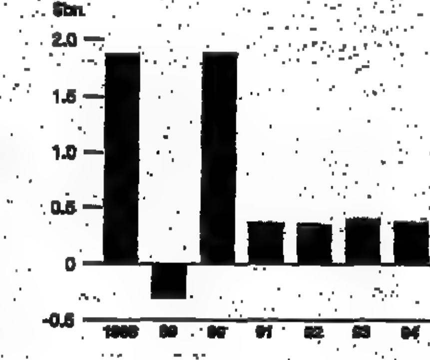
Source: EIU

Foreign direct investment inflows



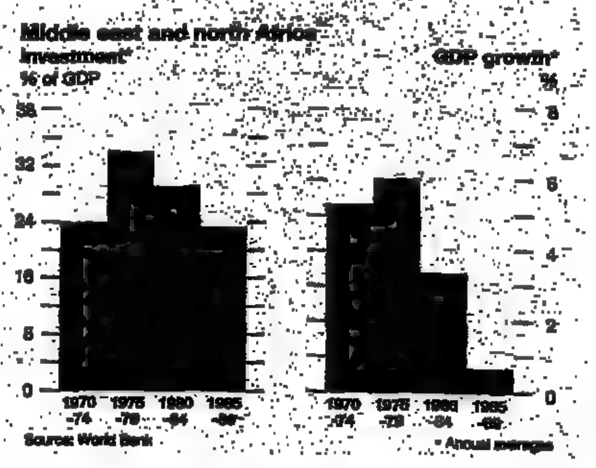
Source: UN World Investment Report 1995

Foreign direct investment GCC states



Source: UN World Investment Report 1995

Middle east and north Africa



Source: World Bank

* Annual averages

· OBSERVER ·

Not so sporting scion

■ The case of John Eleuthere du Pont suggests that the tradition of the crazy aristocrat still flourishes in the New World. Du Pont, a great-great-grandson of the French grandee who founded the du Pont chemical empire, is under arrest for allegedly shooting an Olympic wrestling champion dead on his Pennsylvania estate on Friday.

On the surface, John Eleuthere might have seemed a typical member of the 1,000-strong du Pont clan – unconnected with the business, living off his dividends and comfortably ensconced in a neo-classical mansion some 30 miles from the chemical works.

But it now seems he had a history of oddity. There was the occasion when he had appeared in a neighbour's driveway at the wheel of an armoured personnel carrier, and another when he had driven his car into the pond on his estate, nearly drowning his passenger, an international swimming official.

Having long since ceased to control the chemical business, the du Ponts have developed a sideline in politics, supplying governors and senators for their home state of Delaware. But John was more interested in sports: swimming, wrestling and the pentathlon, which, of course, includes sharp-shooting.

Eleuthere, the first name of the original du Pont, is from the Greek, meaning "free". It looks as if John Eleuthere may conceivably have finally blown that one.

Compound trouble

■ *Do chemical leaks impair the senses? Ask the experts at Hoechst.* On Saturday, having mislaid a tonne of white and carcinogenic powder in a snow-covered residential district of Frankfurt, the German chemical company failed to sound any sirens – and took three-quarters of an hour to alert the local fire brigade.

By Sunday morning, the company had also managed to lose an unspecified amount – one-and-a-half tonnes, perhaps – of an unspecified drug ingredient in the river Main. It did not know what the substance was, it said, nor whether it was toxic, nor how it reacted with air. But a general river warning had been issued.

Picture this

■ Alain Juppé, France's beleaguered prime minister with the depressing opinion poll ratings, seems to be trying to take his mind off things.

His staff in Bordeaux, where he is mayor, admitted last week that they had distributed regal-style photos of the great man to all schools, crèches, old peoples' centres and other municipal institutions.

They claim they did so by popular demand, and Juppé himself stresses that no one is under any obligation to pin the pictures up. But, on the assumption that mugshots of a smiling premier are unlikely to have much impact on consumer confidence, it is a curious use of public money during supposedly austere financial times.

Poll position

■ Lithuania's political and banking crisis has provided rich pickings for what has become the most daring and independent media in the former Soviet Union. Currently the most trusted institution in the Baltic state, the press enjoys 80 per cent support in the polls at a time when the government barely scrapes into the teens. Circulation of Lietuvos Rytas, Lithuania's quality paper, has soared.

Until last year, the private newspaper had been using government printing presses, but when a proposal to publish on Mondays was turned down, the publication decided to build its own plant. It has proved a better investment than the editors could have hoped.

For the paper has also been the beneficiary of President Alexander Lukashenko's hardline regime in Belarus, which has tried to muzzle the free press by forbidding access to printing plants and wholesale networks. Belarussian papers simply moved north. Six are now printed at Lietuvos Rytas' site.

When the paper's offices were bombed a while ago, speculation centred on Belarus. But there are plenty of enemies nearer home. Police claim a mafia ring, led by a police commissioner in a neighbouring town eager to stop an unfavourable exposé from appearing, was responsible. The feared story still appeared in the next day's paper.

Sheep's clothing

■ A Parisian on a country drive stops to admire the sight of a shepherd minding his flock. He strikes up a conversation. "If I guess how many sheep you have, will you give me one of them?" he enquires. Confident the Parisian will fail, the shepherd agrees. "I make it 342," says the visitor after a rapid calculation. The shepherd has to admit he is absolutely correct. "Please take one" he says graciously. As the Parisian leaves, the shepherd calls after him: "If I can guess what job you do, will you give me back my sheep?" "Fair enough", agrees the visitor. "Well, you're from the Ecole Nationale d'Administration," says the shepherd. "How on earth did you guess?" demands the other man, crestfallen. "Easy, you were walking off with my dog".

The Financial Times

100 years ago

Canadian Pacific Railway
The company's statement of the earnings for the month of December is decidedly satisfactory. A gross increase in the earnings of $370,000 is recorded as compared with the corresponding month of 1894. That economy is exercised almost to starvation point has been the outcry in the past, and from the increase in working expenses of only $84,000 it does not appear as though any considerable change has been made in this direction.

50 years ago

Company changes name
The New Trading Company has changed its name to S.G. Warburg and Co. Since its formation, the company, which at first dealt only with industrial finance, has developed into a house of industrial and merchant bankers, and it is felt that the original name is no longer appropriate

New U.S. rubber deal
The announcement of the completed negotiations for the purchase by the U.S. of natural rubber from the Far East means that the U.S. will purchase 200,000 to 800,000 tons of rubber between now and 30th June next. The price of 20¼ cents Far Eastern ports will amount to about 22¼ cents per pound delivered in the U.S.

FINANCIAL TIMES
Tuesday January 30 1996

Move aimed at lifting FDP ratings before elections

Bonn bows to pressure to reduce solidarity tax

By Judy Dempsey in Bonn

Germany's governing coalition yesterday agreed to reduce the controversial "solidarity" tax by 2 percentage points in a bid to shore up support for the liberal Free Democrats (FDP) and prevent further government rifts.

The decision is a victory for the FDP, the junior coalition partner, which has campaigned for a cut or phasing out of the tax reintroduced in January 1995 to finance the costs of German reunification.

Under the agreement, forged after weeks of public fighting among coalition partners, the surcharge on taxed income will drop from 7.5 per cent to 5.5 per cent from July 1997.

The move is intended to boost the FDP in opinion polls and increase its chances in three state elections in March. The party has lost the last 12 elections and its rating in opinion polls has fallen below 5 per cent, the minimum required to enter federal and state parliaments. The decision also highlights the vulnerability of the coalition which has a 10-seat majority.

"This is a very important both for the coalition and for the FDP," said Mr Wolfgang Gerhardt, the FDP leader. He had clashed repeatedly with Mr Theo Waigel, the finance minister, who had been reluctant to reduce the tax until there was a sustained upturn in the economy.

According to the government's annual economic report to be published today, the economy will grow 1.5 per cent this year. Growth in west Germany will be 1 per cent, and between 4 per cent and 6 per cent in the east.

Officials said the reduction could cost the finance ministry about DM4bn ($2.7bn) for second half of 1997, adding they were adamant the government would not resort to more borrowing, nor would there be a cut in the annual gross financial transfers to east Germany, which this year will total DM196.6bn.

State governments in the east had feared cuts in the transfers and opposed any reduction of the tax. Officials also insisted the west German states would not be obliged to give up a percentage of revenues earned from value added tax which they had been granted to finance eastern Germany.

Economists said Mr Waigel could make up for the shortfall in revenue by closing tax loopholes, cutting tax privileges and introducing social welfare cutbacks. He is also banking on an economic upturn in the fourth quarter of this year that would continue into 1997.

But, economists say Mr Waigel's room for manoeuvre is becoming smaller as he is faced with attempting to meet the Maastricht criteria of limiting public sector deficit to 3 per cent of GDP for the second consecutive year, slow growth, and the reduction of the solidarity tax.

No clarity of purpose, Page 14

French plan to relaunch economic growth

By Andrew Jack in Paris

The French government is considering making changes to a key national savings product in an effort to relaunch economic growth.

Officials from the prime minister's office and the economics and finance ministry were meeting last night to finalise a range of policies meant to boost sluggish domestic consumption.

The initiatives are scheduled to be announced on the same day as a series of measures in Germany, and follow commitments to help redress gloomy economic prospects in both countries made by President Jacques Chirac and Chancellor Helmut Kohl earlier this month.

Among the measures being considered in France is a change to the Livret A, a tax-free savings product offered by the national savings bank, the post office and another mutual bank, which pays out 4.5 per cent in interest. The rate has remained unchanged since 1986 despite the decline in real returns on other products.

Mr Jean Arthuis, economics and finance minister, met senior French bankers last week in an effort to persuade them to reduce their rates. They responded that such a move could only follow a reduction in the rate offered on the Livret A.

However, officials at the Matignon, the prime minister's office, earlier this month ruled out a reduction in the rate. They said they might be willing to make other modifications, such as reducing the maximum FFr100,000 ($20,160) that can currently be invested.

Other measures being considered are help for the housing rental market by provision of incentives for people to buy houses for repair and rent; and personal tax rebates for those who spend on certain consumer goods rather than saving.

The measures will also include clarification of a series of initiatives announced by Mr Alain Juppé, the prime minister, in December in response to public sector unrest triggered by controversial proposed social security reforms.

Some analysts say the German measures are likely to be stronger than the French initiatives. However, Mr Arthuis is expected to argue this afternoon that his government has already offered a series of reforms in the last few months. These include a plan unveiled by Mr Juppé late last year offering assistance to the country's small and medium-sized businesses.

In the latest indication of pessimism about the state of the economy, Paribas, the French bank, yesterday forecast growth of just 1.3 per cent for 1996, leaving a budget deficit of 4.6 per cent against the government's stated aim of 4 per cent.

Chirac

Continued from Page 1

emotion" in France and overseas and that he had not been insensitive to such opinion.

He said the criticisms reflected concern about "collective security and safeguarding the environment" which he said were also his concerns.

He also made play of France's intention to sign the international nuclear test ban treaty.

However, critics believe that France's behaviour may already have done serious damage by spurring nations such as India, Pakistan and China to take a harder line.

Philip Morris

Continued from Page 1

people, with 150 in at least two member states, has to establish an information and consultation committee for its employees.

The UK is not covered directly by the new law because it opted out of part of the EU Maastricht treaty, although many companies covered in the UK are including their British workers in their provisions.

Philip Morris's main plants are in Germany, the Netherlands, Italy and Belgium. Sixteen of the worker representatives on the council will come from the company's European plants and a further four will be selected by trade unions.

Mr Wiedenhofer hailed the agreement as a "major step forward". The only other European works council agreed by a US company was that negotiated last year by Ingersoll-Rand, the engineering group, but this confines representation to its own employees.

Total and Repsol sign $850m gas deal with Algeria

By Roula Khalaf in London

Sonatrach, Algeria's state-owned oil and gas company, has signed an $850m deal with France's Total and Spain's Repsol for the development of a gas field in the south-east of the country.

The 20-year production sharing agreement is the second large joint venture project agreed by the Algerian company in recent months, in spite of the violent campaign against the government by Islamic militants.

Sonatrach and its French and Spanish partners have agreed to develop natural gas reserves and extract liquid petroleum gas (LPG) and condensates from the Tin Fouye Tabankort field, 500km south of the main gas fields at Hassi R'Mel.

In December, Sonatrach agreed its largest partnership accord to date – a $3.5bn production-sharing agreement with British Petroleum for the development of a gas field in the south-western region of In Salah. An oil enhancement recovery contract with Atlantic Richfield of the US is expected to be signed soon.

Algeria's oil and gas fields, located in the southern desert, have been largely spared in the four-year conflict between Islamic militants and government forces. Foreign investment into the energy sector has continued to flow, with 32 foreign companies, including Total and Repsol, already operating in the country.

Recoverable gas and liquid reserves at Tin Fouye have been estimated at around 1bn barrels of oil equivalent. Total will bear 35 per cent of the project's cost, Repsol 30 per cent, and the rest will be financed by Sonatrach.

Total and Repsol have committed themselves to pay $22m at the start of the project and reimburse Sonatrach for the $71m it has so far incurred.

According to industry sources, Sonatrach decided to pursue the project on its own after originally putting out the project to tender for bids. But after failing to secure financing it turned again to international companies.

Development of the field is expected to take three years, by which time 60 wells will be producing. Over 20 years, the plant will produce 18m cubic metres a day of dry gas, 700,000 tonnes a year of LPG and 1m tonnes a year of condensates, according to Total.

Algeria has been particularly keen to boost output of LPG, propane and butane. Export of such products are not counted in the country's oil production quota from the Organisation of Petroleum Exporting Countries. LPG prices are about 90 per cent of that of crude oil.

The companies have also agreed to consider jointly marketing the LPG and condensates, an approach favoured by Sonatrach. A unique feature of the accord signed with BP in December was the setting up of a joint marketing company to sell gas in Europe.

THE LEX COLUMN

The right medicine

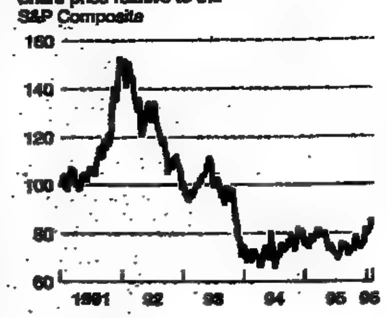
Long the most unloved of pharmaceutical companies, Rhône-Poulenc Rorer may be turning the corner. The Franco-American group's central problem is a fragmented portfolio containing a large number of small, mature drugs. Four-fifths of sales come from more than 75 products. In most big drug companies, 10 products or fewer make up the bulk of turnover. As a consequence, RPR lacks economies of scale and makes margins of 15 per cent, well below the industry average of 25 per cent. Low drug prices in its key French market have only compounded the dilemma.

This is starting to change. The 1995 results showed good underlying sales growth of 11 per cent. Significant new drugs, such as cancer treatment Taxotere, should underpin that. Gross margins also improved, helped by the inclusion of Fisons. While RPR paid a handsome price for its British rival, the group is now predicting annual cost savings of £200m by 1997 – higher than forecast. A hefty restructuring provision should ensure there is no earnings dilution in the meantime.

RPR should now move quickly to sell off some of its smaller products. That would cut the high debt taken on with Fisons and enhance margins. With earnings growth expected to reach 10 per cent this year, such actions would merit a rerating.

FT-SE Eurotrack 200: 1654.6 (+10.6)

Rhône-Poulenc Rorer



Source: FT Extel

A forward multiple of 10 times fully-taxed earnings looks cheap. And even after yesterday's jump, the shares are nearly 15 per cent below the price during last October's capital increase. Nonetheless, gross margins of over 40 per cent will be hard to defend and heavy capital spending leaves no spare cash for dividends. Whatever the group's merits, if there is further evidence of excessive capacity increases, investors are likely to sell first and ask questions later.

SGS-Thomson

After recent profit warnings from Motorola and Nokia, yesterday's excellent results from SGS-Thomson provided some relief for high-tech stocks. Shares in the Franco-Italian computer chip manufacturer rose more than 4 per cent on the back of a 45 per cent increase in net profits.

There is no doubt that the increase in demand for semiconductors is slowing from last year's record growth rate of 30 per cent. But Mr Pasquale Pistorio, SGS-Thomson's chief executive, still expects it to exceed 20 per cent in 1996 and 1997. And for much of this year, manufacturers will remain short of capacity. Even if a mild downturn follows, SGS-Thomson is in a stronger position to weather it than many of its competitors. Although still controlled by the French and Italian governments, the group has transformed itself since its formation through the merger of two struggling national champions in 1987. Only 9 per cent of its sales are of commodity integrated circuits and it has no exposure to low margin D-Ram memory chips.

Trafalgar House

There are signs of optimism in the long-depressed UK housebuilding industry. Despite a string of companies selling their housebuilding divisions, Trafalgar House has still managed to extract a full price for its Ideal Homes subsidiary.

That is not to say that Persimmon is paying over the odds. With the benefit of acquired tax losses and cost savings from merging the two businesses, Ideal Homes should give a healthy kicker to Persimmon's earnings. Nonetheless, the enlarged group should trade on a lower rating. After all, tax losses will soon be utilised. And the deal leaves Persimmon with only four times interest cover in a business which is not cash generative – hence its history of rights issues. If house prices pick up, this deal will look remarkably astute. In the more likely event that they remain flat, Persimmon has done little more than enhanced its exposure to an unattractive market.

In the circumstances, Trafalgar's shareholders should be relieved to see around £180m of cash, given a likely free cash outflow of more than £200m this year. However, the company is running out of things to sell. With a solid order book and more careful vetting of contracts, the outlook for the engineering and construction businesses is improving. But a return to health still looks extremely distant.

LVMH

LVMH has given another glimpse of the malaise in the global spirits market. *Cognac* sales volumes in Japan were down 15 per cent last year, as consumers shifted towards cheaper retail brands. At least Moët Hennessy made big gains in China, at the expense of Rémy Cointreau. But the group's drinks profits continue to fall.

This must irritate Guinness, which switched its LVMH stake for a direct investment in the Moët Hennessy business two years ago. However, Guinness can gain some comfort from yesterday's figures. LVMH's luggage business continues to show a steady decline in growth, making its shares look too pricey on a prospective price-earnings ratio of 21. Besides, conditions in the spirits market mean LVMH is likely to keep its 20 per cent stake in Guinness for some time, postponing a substantial overhang on its share price.

UK electricity

Northern Electric is right to worry about the generators' bids for regional electricity companies (recs). But its suggested solution – making them sell more power stations – may not be the answer.

For one thing, even if generation were fully competitive, it would not necessarily be right to allow the bids. Integrated businesses would still have the edge on independent recs because they would not have to hedge against volatility in electricity prices. The result would be a slanted playing field, with competition focusing on customers of weaker independent businesses. For integrated businesses' customers, that does not look too good.

Moreover, to be fair to the generators, it is not yet clear that further plant sales are necessary: those now in train may – or may not – be enough to make the market fully competitive. It is premature to demand more sales before the effect of the current ones is known.

Additional Lex comment on UK mortgages, Page 21

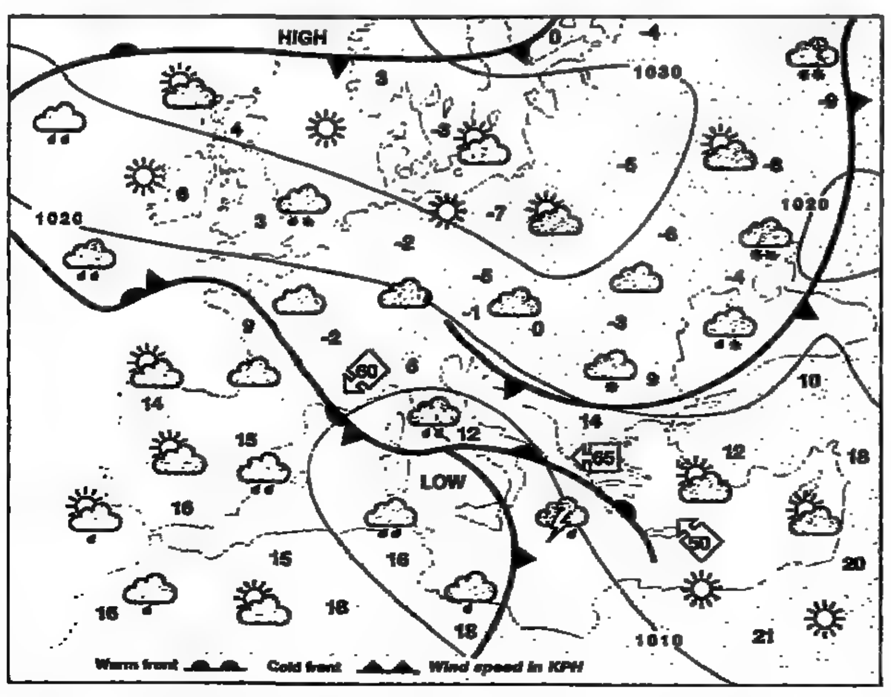
FT WEATHER GUIDE

Europe today

High pressure over southern Scandinavia will result in settled conditions with plenty of sun over the Norwegian mountains. Russia will have a lot of cloud and the Ukraine will have patches of snow. An active low near Sardinia will cause unsettled conditions in Italy and the Adriatic. Torrential rain will affect the western Mediterranean, Italy, Croatia and Greece. Easterly winds will reach gale force over the sea. Most of the Iberian peninsula will remain dry. Turkey should be cloudy but dry. Israel will have bright sunny spells. There will be a cold easterly flow from Romania to central Europe.

Five-day forecast

The Mediterranean region will be unsettled with rain at times. It will be very windy in Greece on Wednesday and in north-west Spain on Thursday. High pressure over Scandinavia will gradually move to the Balkans and conditions will become settled. As a result, a southerly flow will develop across central Europe. This will cause a slight warming trend from France to the Benelux. A low will cause abundant cloud and snow or rain in a wide zone from southern England to Poland, starting on Friday



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum	Beijing	sun	6	Caracas	fair	29	Faro	cloudy	16	Madrid	fair	11	Rangoon	sun	32
		Celsius	Belfast	shower	4	Cardiff	cloudy	3	Frankfurt	cloudy	-1	Majorca	rain	14	Reykjavik	fair	2
Abu Dhabi	sun	24	Belgrade	snow	-1	Casablanca	shower	17	Geneva	cloudy	3	Malta	shower	16	Rio	fair	36
Accra	fair	33	Berlin	sun	-3	Chicago	sun	-8	Gibraltar	shower	16	Manchester	cloudy	2	Rome	rain	13
Algiers	shower	15	Bermuda	shower	19	Cologne	fair	-1	Glasgow	fair	4	Manila	fair	31	S. Frsco	shower	13
Amsterdam	sun	-2	Bogota	fair	20	Dakar	fair	23	Hamburg	sun	-2	Melbourne	fair	30	Seoul	fair	-1
Athens	shower	14	Bombay	sun	32	Dallas	cloudy	19	Helsinki	cloudy	1	Mexico City	sun	18	Singapore	shower	31
Atlanta	shower	17	Brussels	sun	-1	Delhi	sun	22	Hong Kong	cloudy	17	Miami	fair	26	Stockholm	cloudy	-1
B. Aires	fair	33	Budapest	cloudy	-2	Dubai	fair	23	Honolulu	fair	26	Milan	cloudy	6	Strasbourg	cloudy	0
B.ham	cloudy	1	C.hagen	cloudy	-1	Dublin	shower	4	Istanbul	cloudy	6	Montreal	snow	-6	Sydney	fair	28
Bangkok	fair	34	Cairo	sun	20	Dubrovnik	rain	12	Jakarta	shower	30	Moscow	snow	-10	Tangier	shower	16
Barcelona	rain	14	Cape Town	fair	28	Edinburgh	shower	4	Jersey	cloudy	5	Munich	cloudy	-3	Tel Aviv	fair	20
									Karachi	sun	26	Nairobi	cloudy	27	Tokyo	cloudy	7
									Kuwait	cloudy	16	Naples	rain	15	Toronto	cloudy	-4
									L. Angeles	shower	16	Nassau	sun	26	Vancouver	cloudy	0
									Las Palmas	cloudy	23	New York	cloudy	6	Venice	cloudy	7
									Lima	sun	26	Nice	fair	13	Vienna	cloudy	-4
									Lisbon	shower	14	Nicosia	fair	15	Warsaw	cloudy	-5
									London	cloudy	3	Oslo	fair	-4	Washington	fair	10
									Lux.bourg	cloudy	-3	Paris	fair	4	Wellington	cloudy	21
									Lyon	fair	7	Perth	fair	24	Winnipeg	cloudy	-25
									Madeira	shower	19	Prague	cloudy	-5	Zurich	cloudy	0

FINANCIAL TIMES

COMPANIES & MARKETS

Tuesday January 30 1996

IN BRIEF

RPR to shed 2,900 jobs over two years

Rhône-Poulenc Rorer, the US drugs company controlled by French chemicals group Rhône-Poulenc, planned to cut 2,900 jobs by the end of 1997, Mr Michel de Rosen, managing director, said. The cuts would be the most important contribution to savings of $200m a year following the £2.7bn ($4bn) acquisition last year of Fisons, the UK drugs company. Page 20

Samsung considers Fokker acquisition
Samsung Aerospace is interested in acquiring Fokker, the ailing Dutch aircraft manufacturer whose cash lifeline was cut by controlling shareholder Daimler-Benz Aerospace. Page 18

Demand drives up Repsol offer price
Repsol, the Spanish oil, gas and chemicals group, set a high maximum price of Pta4,193 a share for its privatisation issue after reporting record demand from domestic retail investors. Page 18

Japanese difficulties restrain LVMH sales
Difficulties in the Japanese drinks market held back full-year sales at LVMH, the French drinks and luxury goods maker. The group posted full-year sales below expectations, up 6.4 per cent to FFr29.7bn ($5.8bn). Page 18

Apple advertises to ease customer fears
Apple Computer, the US computer group, took advertisements in leading US newspapers to reassure customers that it would continue to meet their needs, whether or not it was acquired by Sun Microsystems. Mr Michael Spindler, chief executive, told customers the company's priority was to "put our fiscal house in order". Page 20

Canadian utility seeks restructuring
Ontario Hydro, North America's biggest power utility, wants its monopoly ended and its power stations privatised over the next four years to adjust to changes in the electricity market. Page 20

T&N may turn to EU after German refusal
T&N, the UK motor components and engineering group, is considering asking the European Commission to intervene in its stalled DM282.6m ($196.2m) takeover of Kolbenschmidt, one of Germany's leading piston manufacturers, after being frustrated by the German cartel office. Page 22

Polish index breaks 10,000 barrier
The Warsaw stock market extended last week's rally, piercing the 10,000 point level for the first time since September 1994. The Wig index rose 213.1 to 10,182.1. Back Page

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
BMW	839.5	+	11.5
Daimler Benz	819	+	11.3
Falls			
Asko Prf	735	–	10
CKAG Col pr	885	–	12
GEHE	757	–	8.5
Wella	765	–	8.5
NEW YORK ($)			
Rises			
Biocraft Labs	19	+	5¼
Harman Intl	[illegible]	+	3¼
Sterling Chem	12¾	+	3¼
Falls			
Amer Wst Air	16¼	–	1⅛
Gen Instrument	21⅞	–	1⅞
Smiths Food	[illegible]	–	3¼
LONDON (Pence)			
Rises			
Bulmer (HP)	540	+	18
Filtrnc Comtek	445	+	40
Ramsdens (H)	311	+	36
Falls			
Br Biotech	2230	–	120
Eidos	695	–	58
Quality Sftwre	490	–	218
TORONTO (C$)			
Rises			
Can Sth Petn	11⅛	+	1⅛
Loewen Grp	40	+	12¾
Potash Corp	95¼	+	4¼
Falls			
Spectrum Sig	15	–	[illegible]
Teck Corp A	25⅞	–	1
Tort Sun Publ	13	–	1⅝
PARIS (FFr)			
Rises			
Air Liquide	901	+	8

Chargeurs	1097	+	52
Legris	[illegible]	+	[illegible]
Falls			
Dassault	3800	–	150
Ecco	876	–	22
LVMH	1129	–	18
TOKYO (Yen)			
Rises			
Brother Ind	608	+	21
Asahi Chem	864	+	45
Iseki & Co	494	+	27
Nippon Signal	1190	+	150
Falls			
Fujita Kanko	2200	–	110
Meiden Corp	790	–	40
HONG KONG (HK$)			
Rises			
Founder (HK)	2.775	+	0.32
SAS Dragon	1.67	+	0.27
Sun Cheong	3.6	+	0.6
Falls			
Cosmopol Intl	3.125	–	0.32
Guangdong Inv	5.25	–	0.25
San Miguel HK	3.6	–	0.2
BANGKOK (Baht)			
Rises			
KCE Electric	117.0	+	10.0
Lee Feedmill	49.0	+	3.5
Matsushita Elec	108.0	+	9.0
Falls			
Khonkaen S	70.0	–	4.0
PCM Precast	91.0	–	3.5
Ltd Motor	101.0	–	8.0

New York and Toronto prices at 12.30pm.

SGS-Thomson warns of slowdown in growth

By Paul Abrahams in Paris

The chief executive of SGS-Thomson, the Franco-Italian semiconductor maker, yesterday warned that current growth in his industry was unsustainable and that capacity increases could overshoot demand.

Mr Pasquale Pistorio, speaking as SGS-Thomson unveiled record earnings, said: "The annual growth rate of more than 30 per cent, which the market has enjoyed for the last three years, is unsustainable. A slowdown in growth is on the cards."

He added: "But 20-25 per cent [growth] is not a tragedy. We are just moving to more sustainable levels."

Mr Pistorio also warned about capacity increases. "It's impossible to grow capacity and demand in parallel," he said.

However, Mr Pistorio insisted his group would be less affected by a slowdown than other semiconductor companies. More than half of sales were generated by custom-made products dedicated to a customer or application, and programmable products. These tended to have more stable growth and margins. Not least, the group did not manufacture low-margin D-Rams, he said.

Mr Gabriel Hors, analyst at NatWest Markets in Paris, said: "SGS-Thomson should not be compared with other semiconductor stocks. Unlike others, it is not dependent on one product such as D-Rams, and is not dependent on one sector such as computing. If there is a downturn, it'll be better prepared."

SGS-Thomson, majority-owned by Thomson of France and SGS of Italy, reported net earnings for the year ending December 31 up 45 per cent from $362.5m to $526.5m.

The results, the group's best-ever, were slightly above expectations. Earnings per share rose 32.6 per cent from $3.04 to $4.03. The group issued $372m of new equity last year.

SGS-Thomson shares rose 4.3 per cent or FFr7.7 to FFr186.6 in Paris.

SGS-Thomson was determined to continue to invest heavily in high-margin custom-made products, said Mr Pistorio.

"Our business is innovation driven. You have to be in the forefront to survive," he explained.

Capital expenditure last year was $1bn, equivalent to 28 per cent of sales. The heavy investment meant the company had a net-cash outflow of $174m. It ended the year with $65m in net cash.

The tax charge increased from 12 per cent to 17 per cent. Mr Maurizio Ghirga, chief financial officer, said the tax rate this year would be at least 24 per cent, as the benefits of capital allowances and tax-losses diminished.

Turnover rose 34 per cent from $2.64bn to $3.55bn.

Mr Pistorio said the world semiconductor market, excluding D-Rams had grown 29 per cent last year.

Lex, Page 16

LTCB to bolster capital strength via loan book cut

By Gerard Baker in Tokyo

The Long-Term Credit Bank of Japan, one of the country's 10 largest banks, plans to reduce its outstanding loans in order to improve its capital strength. The move marks the first public retreat by a Japanese bank from the philosophy of pursuing asset growth above all else.

The bank aims to raise its ratio of capital to total assets, which has been reduced by a moribund stock market and the need to write off a large pile of bad loans. LTCB has not decided the scale of the cut in lending but wants to raise its basic Bank for International Settlements (BIS) capital/risk-weighted assets ratio from 9.1 per cent to about 10 per cent by March 1998.

The bank said it did not plan any cuts in fresh lending. Instead it would reduce its outstanding loans by securitisation. Assets would be sold off in packages to groups of buyers, including overseas investors.

"The securitisation of corporate borrowing is an already established process," it said. "This would simply be a continuation of that process."

But it would still mark a substantial shift for a leading Japanese bank. Since the 1970s, banks have grown rapidly, and even in the slump of the past five years, many have preferred to avoid cutting the size of their loan book.

In the next few years, the pace of bad loan write-offs is likely to accelerate. LTCB is one of the leading lenders to Japan's bankrupt housing loan companies, whose liquidation is under consideration. If it disposes of all its lending to the companies this year, the total write-offs would be more than Y300bn ($2.94bn). With a continuing need to provide for other bad loans, it is expected to record a rare net loss for the financial year ending in March, a development which would further erode its capital adequacy ratio.

The capital strength of Japanese banks has also been hit by falling stock prices over the past five years. Banks count a proportion of their unrealised gains on stocks as part of their capital. As share prices are now 50 per cent below their level of six years ago, capital ratios have been squeezed.

It is uncertain whether other banks will follow LTCB. Several are planning instead to replenish their capital in the coming year by issuing new equity and subordinated debt.

Hanson bids £125m for Belgian bricks

By David Wighton in London

Hanson yesterday underlined the change in its strategy under chief executive, Mr Derek Bonham, by announcing its first bid for a publicly quoted company based in continental Europe.

The acquisitive Anglo-US conglomerate is proposing to pay BFr5.7bn ($186m) to buy Desimpel Kortemark, Belgian's biggest brick maker.

The deal illustrates Hanson's new stress on building its existing businesses and expanding operations outside its traditional areas of the UK and US.

Mr Bonham, who has been reshaping Hanson since becoming chief executive in 1992, said: "This acquisition fits perfectly into our strategy of developing our major interests. It also takes our building materials and equipment business further into Europe."

Last year, Hanson paid £40m for a German-based crane business, its first acquisition of a manufacturing operation in continental Europe.

Hanson has been keen to expand its brick businesses but with a 30 per cent market share it has limited room for expansion in the UK.

Desimpel has 11 plants in Belgium, four in Holland and four in France. It also has a plant near Dover but this is sufficiently far from Hanson's other UK brick operations that it does not expect any monopoly problems.

Hanson has agreed to buy a 50.1 per cent stake in Desimpel from the controlling family and will make an offer for the remainder of the shares which are publicly held.

In addition to the £125m total purchase price, Hanson will take on £70.5m of debt. Desimpel made an operating profit of about £17m in the year to September on sales of about £120m. Hanson said the deal would be earnings enhancing and met all its rate of return investment hurdles.

Hanson said the business was well-invested with new plant and further new equipment on stream.

Mr Richard Manning, managing director of Hanson Brick, said: "This acquisition is an exciting move into new markets and will establish Hanson Brick as a leading manufacturer of clay bricks in Europe."

Wallenbergs move from cyclical sectors in remodelled strategy

Exposed empire wraps itself in high-tech stocks

If the opening weeks of 1996 are any guide, this is going to be an important year in shaping Sweden's Wallenberg empire, Europe's most extensive family-controlled industrial domain.

This year, Incentive, a core Wallenberg industrial operating company with a diverse clutch of holdings, has moved to remodel itself into a more tightly focused operation by bidding to complete a full takeover of Gambro, a medical technology specialist which is one of Sweden's growth stocks.

As part of the restructuring, Incentive last week sold off one of its most prized possessions, Hasselblad, the camera maker.

The move on Gambro and the disposal of Hasselblad underscored an evolution in the Wallenberg dominion to graft on more technology-based, growth-oriented investments to a portfolio that has been dominated by stolid but cyclical sectors such as engineering and the forestry industry.

While Incentive has taken the most decisive steps in recent weeks, the senior Wallenberg investment holding company, Investor, has signalled its commitment to a similar strategy.

Investor, which groups the Wallenberg shareholdings in blue chips such as Astra, Ericsson, Electrolux, Saab, Stora and SKF, is preparing to float at least 65 per cent of its 100 per cent stake in Scania, the profitable truck maker. The issue has been put on hold because of unstable market conditions, but if bourse sentiments improve, the sale is set for this year.

As Scania has been estimated to be worth up to SKr30bn ($4.3bn) the issue will give Investor additional scope for new investments. Mr Claes Dahlbäck, its chief executive, said this month that such new investments would be aimed at sectors such as healthcare and information technology.

Meanwhile, 1996 may see a step towards the succession of the fifth generation of Wallenbergs over a dynasty that stretches back to the last century. The family chief, Mr Peter Wallenberg, will be 70 in May. He is not expected to retire – his key position is chairman of Investor – but he may use the occasion to hand more of his responsibilities to his anointed joint heirs, his son Jacob and nephew Marcus.

The background to the Wallenbergs' remodelling is the sobering experience of the recession of the early 1990s. Asset sales, tough cost-cutting and the relief afforded by a devaluation of the Swedish krona, enabled Investor and Incentive to survive and enjoy a strong profits surge in the last two years.

But the recession underlined the empire's exposure to cyclical stocks which it is moving to remedy using its renewed financial strength. A new source of funds should open up this year when pending legislation allowing Swedish companies to buy back up to 10 per cent of their stock takes effect. This could allow Investor to cash in by selling stock to its own companies in any such buy-backs.

"It is clear the Wallenbergs are in a very strong position at the moment," says Mr Peter Lawrence, analyst at Kleinwort Benson and long-time Wallenberg watcher. "They are moving, they are doing things and I'm sure they will have more surprises for the markets."

For the time being, Incentive is the scene of the biggest changes. Hitherto the repository of second-line Wallenberg manufacturing investments – in sectors from air conditioning to power generation – it is finally evolving into a coherent group under Mr Mikael Lilius, chief executive.

After buying into Gambro in 1994, Mr Lilius launched a SKr10.3bn bid for the outstanding half of the company Incentive did not control. He is set to follow the Hasselblad sale with other disposals. "Incentive will be much closer to becoming a medical technology company. We will reallocate assets and resources to fund growth opportunities in that sector," Mr Lilius says.

Incentive's restructuring begs questions about Investor (its principal shareholder). Incentive includes the main Wallenberg holding in Asea, in turn half-owner of Asea Brown Boveri, the Swiss-Swedish engineering group. It holds half the Wallenberg controlling stake in Electrolux, with the rest held by Investor. If, as appears the case, the re-cast Incentive wants to shed these non-core investments, logic suggests they would fit snugly into Investor.

However, Wallenberg executives have denied any plan for a grand reshuffle between Investor and Incentive. Any move by Investor to spend its money on consolidating its hold on two cyclical stalwarts would hardly square with the intention to seek new high-tech, high-growth investments.

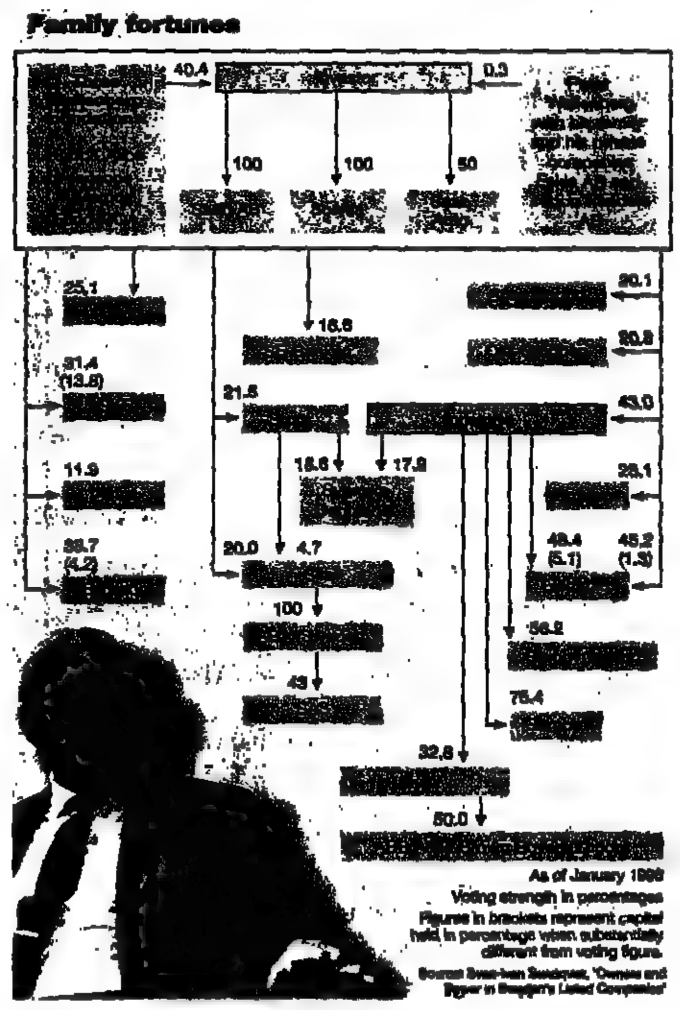
While such questions remain to be resolved, one clear hope for 1996 on the part of both Investor and Incentive is that their evolving strategies will sharpen their profiles with investors, helping to reduce the deep discount their shares have suffered because of their diverse structures.

To that end, Mr Dahlbäck has said Investor may seek a stock exchange listing in the US where investment companies tend to be more favourably regarded than in Europe. It is one more development in what is likely to be a busy year.

Gambro profits rise, Page 18

Hugh Carnegy

Family fortunes



As of January 1996
Voting strength in percentages
Figures in brackets represent capital held in percentage when substantially different from voting figure.

MCI and Microsoft team up for online information venture

By Louise Kehoe in San Francisco

MCI, the US telecommunications group, and Microsoft, the computer software market leader, have teamed up to develop and market a range of Internet and online information services.

The alliance, announced yesterday, reflected Microsoft's determination to become a big player in the Internet arena and it was expected to prompt other partnerships among software developers, publishers and telecommunications companies, analysts said.

Oracle, the second-largest software company after Microsoft, is today expected to announce that it will take a stake in an Internet venture formed last week by MCI and News Corp, Mr Richard Murdoch's media group.

As part of the Microsoft-MCI alliance, MCI would distribute and market the Microsoft Network, Microsoft's Internet-based information service, the companies said. MCI would also adopt Microsoft's Internet browser as the "preferred" software for use with its Internet access services.

Microsoft will market a range of MCI services including audio, video and computer conferencing services and high speed data Integrated Services Digital Network transmission services. Other plans include the joint development of online services for colleges and universities and efforts to create audio, video and document conferencing services.

"Both companies will work closely together to deliver and market integrated computer and communications services to the homes and workplaces of our customers," said Mr Bert Roberts, MCI chairman and chief executive.

Mr Bill Gates, Microsoft chairman, said the alliance was an "important component" of Microsoft plans to expand Internet solutions and networking services.

The Microsoft-MCI alliance does not appear to have impact on MCI's joint venture with News Corp to launch a $1.6bn satellite service providing high speed Internet access in the US.

The new service might, however, create a method of software distribution for Microsoft, enabling software purchasers to download Microsoft products quickly to their computers.

Oracle is expected to take a substantial stake in the MCI-News Corp satellite venture, to market its database software products.

EUROPEAN NEWS DIGEST

Executives resign at Bank Austria

Two board members of Bank Austria were forced to resign yesterday over a botched effort to keep a competing bank from offering above-market yields to customers. The incident highlighted the growing competitive pressures in Austria's banking sector, where banks whose interest margins are already under pressure are trying to boost market share to prepare for the entry of new rivals from the EU.

Mr Helmut Horvath, who was in charge of investment banking and treasury, and Mr Thomas Aisteitner, who oversaw domestic product distribution, have resigned after admitting they were responsible for their decision to deposit a total of Sch500m ($47.7m) at various branches of Bank für Arbeit und Wirtschaft (Bawag) in Vienna last week. Mr Günter Vencalek, managing director of financial services, also stepped down.

In an organised campaign, staff at Austria's largest bank had opened anonymous savings accounts at Bawag in batches of Sch15m each. Bawag was offering a 6 per cent yield on five-year accounts, compared with the current interbank borrowing rate of 5 per cent. *Eric Frey, Vienna*

Volvo increases sales

Volvo, the Swedish vehicle group, overcame a stagnant global car market last year to lift invoiced sales by 6.7 per cent to 374,600 cars from 351,000 cars in 1994. Sales in Europe rose 5.6 per cent to 219,800 cars, with strong performances in Sweden, Germany, Italy, the Netherlands and Switzerland helping to offset lower sales in the UK and France. North American sales climbed 7.5 per cent to 97,700 cars. Despite the better sales figures, profitability in the group's car division is falling short of target due to intense industry competition.
Christopher Brown-Humes, Stockholm

Madge Networks buys US group

Madge Networks, a Dutch–registered company listed on Nasdaq, yesterday acquired Teleos Communications of the US, a private company, filling an important gap in Madge's product strategy. Mr Robert Madge, the UK businessman who founded the company and is chairman and chief executive, said the acquisition would mean Madge, which specialises in local area network technology, would be able to provide end–to–end switched networks for large corporations.

The consideration was approximately $165m in Madge shares, and the transaction is expected to be completed in the first quarter of the year after regulatory approvals and the approvals of Teleos shareholders. Teleos has about 150 staff and last year turned over about $25m.
Alan Cane, London

Bang & Olufsen flat at midway

Bang & Olufsen, the manufacturer of upmarket television sets and audio equipment, reported first-half operating profits almost flat at DKr128m ($22.2m), a DKr1m increase on the same period in 1994. Sales increased 3.5 per cent from DKr1.29bn to DKr1.33bn.

The group said it gained market shares in several of its most important markets, including the UK, Germany, the Netherlands and Spain, but its total market share in Europe declined compared with the same period in 1994. The group said it was no longer certain it could meet the forecast made last September of a 15 per cent increase in sales and earnings in the year to May 31. *Hilary Barnes, Copenhagen*

Rinascente revenue rises 15%

Sales at Rinascente, the Italian retailer, rose 15 per cent to about L6,700bn ($4.2bn) in 1995 after taking into account turnover at the Migliarini foods group – 70 per cent of which was acquired by Rinascente last July. Without the Migliarini contribution, sales were up 5.3 per cent, compared with the 3.9 per cent increase for the retail sector overall where demand continued to be lacklustre. Rinascente said its non-foods stores – Rinascente, Upim, Bricocenter and Trony and Croff – increased sales by only 3.6 per cent. *John Simkins, Milan*

Bankers Trust in Portugal issue

Bankers Trust International has issued the first derivative contract on a Portuguese stock market index. The Es4.26bn ($24.4m) placement aims to tap demand building up ahead of the launch of Portugal's futures and options market later this year. The contract is on the Portuguese Stock Index (PSI-20), an index of Portugal's 20 leading shares created last year as the basis for the main contract of a national derivatives market, whose planned opening in Oporto has been postponed several times. *Peter Wise, Lisbon*

Japan holds back sales growth at LVMH

By Paul Abrahams in Paris

Continued difficulties in the Japanese drinks market held back full-year sales at LVMH, the French drinks and luxury goods maker. The group yesterday posted full-year sales below expectations, up only 6.4 per cent from FFr27.9bn to FFr29.7bn ($5.8bn).

LVMH also blamed strikes in France at the end of last year, and the strength of the French franc. On a constant exchange rate, the sales rose 11.7 per cent. Even so, the figures were below market expectations. LVMH's shares fell 4 per cent initially on the news, but recovered to close down FFr16 at FFr1,129.

The company also warned that net profits would only increase by about 10 per cent in 1995, compared with a 30 per cent increase in 1994. Late last year, analysts had been predicting rises of about 17 per cent.

LVMH blamed the lower than expected 1995 profits partly on Guinness, the UK drinks group in which LVMH holds a 20 per cent stake. Guinness has announced a series of restructuring measures. In addition, LVMH warned that the recent rise in corporate tax rates would also affect year-end earnings. The group's tax rate in 1994 was 42.7 per cent.

The outlook would continue to be unclear, given the uncertain economic environment, particularly in Japan. However, LVMH said it would invest in new markets and products. It would expand its distribution networks in south-east Asian countries, such as Vietnam, and in Latin American nations such as Brazil.

New products would be launched under the Guerlain, Givenchy and Kenzo marques. Growth would also be boosted by the completion of the Céline and Loewe acquisitions. The company aimed to raise earnings this year.

Sales at the Champagne and wines businesses rose just 2 per cent from FFr5.7bn to FFr5.8bn. However, Cognac and spirits sales tumbled 11.8 per cent from FFr5.98bn to FFr5.2bn. Cognac volumes plunged 15 per cent in Japan.

The luxury products businesses did better than the drinks operations. The highly profitable luggage and leather goods division improved 10.3 per cent from FFr6.7bn to FFr7.4bn, although growth slowed in the fourth quarter. Perfumes and beauty products advanced 20.5 per cent from FFr7.68bn to FFr9.2bn, thanks to new product launches and acquisitions.

Despite the difficulties in 1995, some markets, such as the US, UK and China, had recorded sharp sales increases, said LVMH.

Samsung Aerospace considers Fokker buy

By John Burton in Seoul and Ronald van de Krol in Amsterdam

Samsung Aerospace is interested in acquiring Fokker, the ailing Dutch aircraft manufacturer whose cash lifeline was cut by controlling shareholder Daimler-Benz Aerospace (Dasa). However, South Korea's largest aerospace company said yesterday it had not made a firm decision on the matter.

Fokker confirmed Samsung's interest, but said the South Korean group was one of several companies with which it had had contact since seeking protection from creditors last week.

The news from Seoul boosted Fokker's shares – among the most volatile on the Amsterdam stock exchange – by almost 40 per cent to close up Fl 1.10 at Fl 4.30.

The Dutch aircraft maker's future was thrown into doubt after Dasa, of Germany, halted all further financial assistance last Monday.

Samsung's interest in Fokker is linked to its ambitions to develop a regional, or commuter, aircraft, which is Fokker's main specialisation. Samsung's biggest aerospace programme now is the licensed production of Lockheed Martin F-16 fighters for the Korean air force.

Samsung heads a Korean consortium, including Daewoo, Hyundai and Korean Air, which recently formed a joint venture with Aviation Industries of China to develop a 100-seat aircraft, known as the AirExpress, by 1999.

The Sino-Korean joint venture hopes to select a western partner by the end of March to supply advanced technology for the project.

Several foreign aerospace companies are competing to supply technology to the AirExpress project. They include Boeing, McDonnell Douglas, Dasa and a European consortium consisting of British Aerospace, Aérospatiale and Alenia.

Dasa was interested in the project to provide business for Fokker. However, its chances of being selected were considered remote since it demanded that Fokker should construct some of the AirExpress aircraft in the Netherlands. Both the Chinese and Korean partners have agreed that the aircraft should be built in east Asia.

Samsung's possible purchase of Fokker, however, would enable it to acquire technology for the project, without having to sub-contract manufacturing to the Dutch company.

Analysts believe that other factors may be behind Samsung's interest in Fokker. One is a negotiating ploy to win more concessions from the other western aerospace companies seeking to participate in the project.

The possible threat of a Fokker takeover could persuade them to reduce their demands for a bigger shareholding in the project than the 20 per cent being offered by the Sino-Korean partners.

Another possibility is that Samsung is using talk of a Fokker takeover to resolve a dispute with the Chinese over where the AirExpress final assembly plant will be located. The Koreans and Chinese each want the plant located in their country, and the disagreement has delayed completion of the project's planning. Some believe the dispute could even endanger the project's future.

Gambro solid as Incentive prepares takeover

By Hugh Carnegy in Stockholm

Gambro, the Swedish medical technology group on the point of being subsumed within the Wallenberg empire, yesterday reported a 10 per cent rise in profits for 1995. The pre-tax surplus rose in line with market expectations, from SKr1.15bn in 1994 to SKr1.27bn ($182.5m).

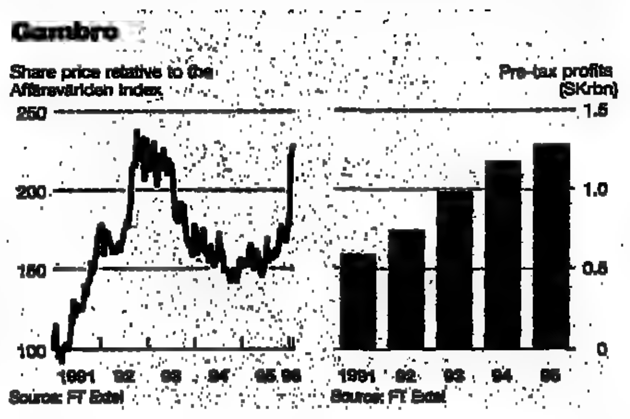
The group is expected shortly to come under the full ownership of Incentive, a Wallenberg industrial holding company, which earlier this month bid SKr10.3bn for the 58 per cent of Gambro it did not already hold. Incentive now controls more than 75 per cent of the voting capital and its bid was backed last week by the Gambro board.

Gambro's pre-tax profits growth was below the 18 per cent rise achieved in 1994. It said pre-tax profits in the fourth quarter – which it did not detail – were also weaker than in the same 1994 period. It added that profits this year would be around the same level as in 1995.

But the company blamed the trend on the effects of a marked strengthening of the Swedish krona recently, and on acquisition costs. It said underlying earnings growth in 1995 was 16 per cent and predicted it would continue at levels between 10 and 15 per cent.

Earnings per share in 1995 rose 9 per cent from SKr5.85 to SKr6.40 – again in line with analysts' expectations. The board has not yet set a dividend recommendation.

Gambro



Incentive's main motive for acquiring Gambro is to refocus its operations on a non-cyclical, technology-orientated sector. Gambro is a world leader in the production of kidney dialysis and other blood treatment systems. It has also moved in recent years into healthcare services, mainly through the acquisition of the REN chain of dialysis clinics in the US. Group turnover, which has doubled in the past five years, rose from SKr9.8bn in 1994 to SKr10.16bn. Operating profit rose 6 per cent from SKr1.4bn to SKr1.5bn.

Fastest sales growth, fuelled mainly by acquisitions, came in the healthcare services division, which pushed up turnover 35 per cent from SKr1.15bn to SKr1.45bn. Gambro's aim is to build the division up to account for 20-25 per cent of group sales. Meanwhile, sales growth in the biggest division, renal care equipment, rose 9 per cent from SKr6.46bn to SKr6.88bn.

Mr Jan Gustavsson, chief financial officer, acknowledged that operating margins in the healthcare services division lagged behind the 15 per cent achieved in equipment supply.

Shake-up changes face of Indosuez

Suez's banking arm is lean, keen and not for sale, writes Andrew Jack

Of all the reforms anticipated since last summer when Mr Gérard Mestrallet became chairman of Suez, the French industrial and financial holding company, none was more important than those at Banque Indosuez, its banking arm.

Six months after the changeover, those expectations have been met in force. A new two-tier board structure with clearly defined roles has been set out; the deputy chairman has been changed; and Indosuez has just announced the outcome of a strategic review with details of its new orientations, a FFr1bn ($195.3m) recapitalisation and tough new productivity targets.

Mr Mestrallet yesterday admitted "there was trouble at the heart of the bank", something which he dates to the start of last year when his predecessor, Mr Gérard Worms, held discussions about the possible sale of Indosuez.

Since then, the financial difficulties of the parent company, and the feud that developed between Mr Worms and his largest shareholders – leading to his eventual resignation – have left the bank neglected.

The signs are now that Mr Mestrallet has taken these problems firmly in hand. His first significant action came shortly after his appointment as chairman: a categorical statement that Indosuez was an integral part of the Suez group and was not for sale.

That was followed by the announcement that Indosuez would completely withdraw from property lending, and its portfolio of troubled loans be transferred elsewhere into the Suez group. "That marked the end of the property adventure," he says. "Indosuez is the only French bank completely relieved of [this involvement]."

Next came the decision to sell Gartmore, the UK-based fund management group bought by Suez in 1989 and then partially floated, leaving it with 75 per cent control. "It was not an instrument at our disposition," he says. "The investment prospered, but we had two completely parallel subsidiaries with Gartmore and Indosuez Asset Management, which were in systematic competition for some clients."

Gartmore is still not sold, but Mr Mestrallet stresses that its sale will go ahead, and that there are "serious negotiations" under way which should be completed in the next few months. He says the share price at the time of the original announcement of the sale was too high, but has now fallen to "quite a reasonable level".

In the middle of this month, Suez revealed the sudden departure of Mr Jean-François Lepetit, deputy chairman of Indosuez for less than two years, and his replacement by Mr Christian Maurin, head of Suez's Sofinco subsidiary.

"I think when organisations go through a new phase in their existence, you have to have a new patron," he says. "The more significant the change, the more important that is. Ten years ago in France it was not the case, but now France is becoming more Anglo-Saxon. We needed a breath of fresh air."

Gérard Mestrallet: 'trouble at the heart of the bank'

He adds that "many big names" came through his office to hold discussions about taking charge of Indosuez, but that he opted for Mr Maurin because he says he is a "real patron", a good technician, and someone who is both client and profit-oriented.

Just 10 days into his job, and with a series of new directions worked about before he was even appointed, Mr Maurin himself seems relatively confident about the huge task ahead of him.

He has to find FFr250m in operating cost reductions before the end of 1998. He must also close and merge a number of functions and remould Indosuez into its new form: an international investment bank focused on the Middle East and Asia.

He also highlights the need for greater "integration", to ensure that clients are handled by a single team within the bank for all the services they require, not passed around.

If everything goes to plan, Suez has agreed to find FFr1bn in cash to recapitalise Indosuez, with the money going into a ring-fenced vehicle responsible for the bank's market activities, with the aim of ensuring that it receives a AAA credit rating.

Mr Mestrallet says he is expecting a return on equity from Indosuez of 9 per cent within the next three years.

But critics still question whether Indosuez is large enough to compete against the top-ranking investment banks. "We are of medium-size, we have to admit it and we have not always done so in the past," says Mr Maurin.

"What counts is the size of the relevant market," says Mr Mestrallet. He points out that Indosuez is the largest broker in France, and the second or third largest in south-east Asia, where the markets are booming.

He also highlights its strength in niches such as aeronautics, shipping and project financing. "The only way to compete against the Anglo-Saxon banks is to specialise."

Demand drives up Repsol stake sale price

By Tom Burns in Madrid

Repsol, the Spanish oil, gas and chemicals group, set a high maximum price of Pta4,193 per share for its privatisation issue yesterday, after reporting record demand from domestic retail investors.

The group, which will place half of the 33m shares on offer with the Spanish retail tranche, said that as the application period for shares closed, domestic demand was some Pta500bn ($3.4bn). This represented more than eight times the total number of shares allocated to this tranche.

Demand was also very high among institutional investors in Spain, in continental Europe and, particularly, in the UK where the issue was about five times oversubscribed.

The success of the Repsol sale, which will reduce government-held equity in the group from 21 per cent to 10 per cent, seemed assured in the US, where institutional presentations began yesterday. In advance of the US roadshow, demand from the US already amounted to some 80 per cent of the total US tranche.

The maximum price set yesterday represented the highest daily weighted average trading price during the five Madrid stock exchange sessions last week. This was achieved last Friday when Repsol shares closed at a high for this year of Pta4,175, after reaching Pta4,230. Yesterday the share price closed at Pta4,170.

The offer period will be open from today until Friday, and the final price for both retail and institutional tranches will be fixed after the close of trading in New York on February 5. Individual purchasers of Repsol shares are being offered a 4 per cent discount and a rebate of 10 per cent if they maintain ownership of their shares for a year and the value of the shares fall during the period.

Repsol has announced provisional results for 1995 which show a 21.6 per cent increase in consolidated net profit to Pta117.7bn.

Slovakia's mobile phone contest open

By Vincent Boland

Slovakia is expected to announce international tenders this week for two mobile telephone licences as it begins a modernisation programme to develop its outdated telecommunications network.

The licences are for competing GSM (global system for mobile) services, and the tenders are likely to attract strong interest from international operators. They are expected to cost about US$8m each and will introduce competition to the mobile sector.

The telecommunications ministry indicated the licences would be awarded to joint ventures between local and foreign partners, with the domestic shareholder owning 60 per cent. "A majority will be held by a Slovak entity," said Mr Peter Haluš, general director of the post and telecommunications division at the ministry.

A chief condition of the tenders is that the winners of the licences must provide coverage for 85 per cent of Slovakia within three years. Analysts put the cost of achieving this at up to $200m.

Mr Haluš said winning tenderers should be selected by June 30. This target will have to be maintained if the companies selected are to meet another condition of the licences – that Bratislava, Slovakia's capital, be fully covered by the end of the year.

Slovakia already has a limited mobile telephone service provided by EuroTel, a joint venture between Slovenské telekomunikácie (Slovak Telecom), the state operator, and US groups Bell Atlantic and US West. EuroTel uses low-frequency NMT technology, which has been supplanted by GSM as the global standard.

EuroTel is being asked to tender for a GSM licence, Mr Haluš said. Its sister company in the Czech Republic was awarded one late last year to honour an agreement made at the time it began operations in former Czechoslovakia at the start of the decade.

The GSM tenders, and plans to introduce a strategic partner next year to Slovak Telecom, are part of a modernisation drive to update the country's telecommunications infrastructure. Slovak Telecom expects to spend up to Kcs60bn ($2bn) by the end of the decade to increase the number of lines it operates from 20 per 100 people to 35 for every 100.

Pressure is mounting for the country to modernise its creaking infrastructure more quickly to maintain its hectic economic growth.

Row forces Czech chemical stake sale

By Vincent Boland

Stratton, the US investment company, and Harvard, the Prague fund management group, have sold their combined 31 per cent stake in the Czech chemical group Spolana. The disposal follows disagreements with other shareholders over the company's future.

The stake was sold to Chemapol, a Czech holding company with substantial interests in the chemical sector, including an existing stake in Spolana estimated at 10 per cent. Chemapol also has marketing agreements with Spolana.

Terms of the transaction, announced yesterday, were not disclosed. Brokers said however that a large block of shares in Spolana, which is listed on the Prague stock exchange, changed hands yesterday at an average price of Kc900 each, 23 per cent above the market price.

This puts a value of $145m on Spolana. Stratton has not disclosed what it paid last October for the 18.3 per cent stake it held directly. Harvard, with which it is acting jointly, owned a further 12 per cent.

The sale is a setback for Stratton, owned by the US investor Mr Michael Dingman. It acquired stakes in seven leading Czech companies, including Spolana, four months ago in a deal with Harvard, and began a high-profile campaign to restructure them.

Mr Dingman has wide experience of the chemical industry and is a former president of AlliedSignal, the US chemicals group he built. Stratton had expected to introduce outside expertise to help Spolana develop new markets and products.

Stratton said yesterday it was "disappointed" by its early exit from Spolana. It partly blamed disagreements over the status of the marketing agreements with Chemapol. It had tried to buy Chemapol's stake before agreeing to being bought out itself.

Mr Daniel Arbess, Stratton chief executive, said the two shareholders had "significant disagreements" about restructuring Spolana. He said Stratton had decided to sell because the company "needs a single strategic shareholder".

Chemapol's purchase of the stake gives it control of the Czech Republic's leading chemical company and could guarantee it success in buying a further 36 per cent stake in Spolana which the state holding company, the National Property Fund, is due to sell by tender early next month.

NEWS DIGEST

Nabisco held back by US snack side

Tough conditions in the US snack market helped cut net profits at Nabisco, the US food group, by 3 per cent to $116m in its fourth quarter. Operating profits in the group's US division slumped 12 per cent to $260m, with the fall only partially offset by a 62 per cent rise in international operating profits to $84m.

Nabisco said the poor performance from its US division reflected unusually competitive conditions in the nut market in its most important sales season. It said Fisher, one of its main competitors, had pursued volume at the expense of profitability in the period because the then owners were seeking a buyer for the company.

However, Nabisco said its US cracker business turned around in the fourth quarter on the strength of a revitalisation programme, and the company launched fat-free Newtons and Cobblers in October as the first offerings in a planned line-up of fat-free Nabisco biscuits, crackers and snacks. The company said it was assessing the potential for using Procter & Gamble's new olestra fat substitute in its snacks.

For the full year, Nabisco increased underlying net income by 18 per cent to $314m, with sales up 8 per cent at $8.3bn. International profits were boosted by an excellent year in Latin America, Nabisco's biggest market outside the US, where an improving economy in Brazil produced strong volume growth. Spain, Portugal and Canada were other strong performers. *Richard Tomkins, New York*

Paper association optimistic

A rebound in world paper markets hinges on strong growth in Asia and Latin America, the Canadian Pulp and Paper Association said in its annual forecast, published yesterday. Pulp and paper prices have come under pressure in recent months after a strong climb in 1994 and early 1995. But the CPPA expressed optimism that markets would improve later this year as inventories are run down.

The CPPA predicted that Canadian pulp and paper mills' overseas exports would grow 6.8 per cent in 1996, with most of the increase coming from Asia and Latin America. Mr Kevin McElhatton, chief economist, said growth in shipments to Europe would be minimal, while shipments to the US were expected to shrink 1.3 per cent. Canada is the world's biggest pulp and paper exporter, and a substantial supplier of newsprint and other paper grades.

Newsprint exports outside North America are expected to jump 22 per cent to 2.8m tonnes, despite the commissioning of four newsprint machines in South Korea between autumn 1995 and the end of this year. However, growth in demand for several grades of paper is likely to lag behind consumption this year, reflecting the drive to run down inventories. Packaging paper shipments could be hit if US industrial output falls short of expectations.

According to the CPPA, the Canadian forest-products industry's net earnings soared to a record C$5.5bn last year, more than double 1994 earnings. However, return on capital of about 13 per cent was virtually unchanged from the previous earnings record in 1988. *Bernard Simon, Montreal*

N America newsprint groups rise

Two big North American newsprint producers have posted record 1995 earnings. Avenor, an integrated forest products group, posted net profit of C$343.9m (US$249m), or C$5.12 a share, against a net loss of C$71m, or C$1.07, in 1994, on sales of C$2.8bn, against C$2bn. Avenor benefited from strong newsprint prices and lower production costs, although pulp prices weakened in the fourth quarter. It does not plan any cuts in newsprint output and said overseas demand was strong. Donohue, controlled by the Quebecor publishing and printing group, earned C$241.3m, or C$3.07 a share, up from C$114.2, or C$1.59, in 1994, on sales of C$1.1bn, against C$807m. Donohue is buying Quno, another eastern Canada forest products group, becoming a larger newsprint producer than Avenor. *Robert Gibbens, Montreal*

Citibank to enter online banking

Citicorp's Citibank unit said it would enter online banking by offering computer banking services in the New York metropolitan area through the Prodigy online network. Citibank will offer a free and direct link to its electronic home-banking service to Prodigy subscribers. It will also offer Prodigy software through its branches, the first time that Citibank has offered its proprietary personal computer banking service through a commercial online service.

Citibank has offered banking services by personal computer since 1984, and Prodigy has been providing home banking to consumers since 1988. Prodigy, a partnership of Sears and IBM, had computer banking deals with more banks than any commercial online service, Prodigy said.

"In the world of banking, Citibank is a thoroughbred," said Ed Bennett, Prodigy president and chief executive. "Its addition to Prodigy's online banking line-up is great news for our subscribers." *Reuter, New York*

Resolute launches bid for AGF

The current spate of mergers and takeovers in Australia's gold mining sector continued yesterday with Resolute Samantha, the Western Australian miner, announcing a bid for Associated Gold Fields. Resolute confirmed last week it was in talks with AGF but, at that stage, said no agreement had been reached.

Resolute said the merger, which would be effected by a scheme of arrangement, would give it access to AGF's 82.5 per cent interest in the Obotan Gold Project in Ghana, which it described as "an excellent entry point into one of the world's most prospective gold belts". It argued that AGF would be provided with additional capital and resources to develop the project in return.

Resolute is proposing to offer two of its own shares for every 37 fully-paid AGF shares, plus 9.5 cents for every one AGF fully-paid share, with additional terms for AGF options and partly-paid shares. Yesterday, Resolute shed seven cents to A$3.28, while AGF gained 10 cents to A$2.74. The offer values the fully-paid equity at about A$74m. *Nikki Tait, Sydney*

Portman Mining suspended

Shares in Portman Mining, the Australian metals and minerals group, were suspended yesterday at the company's request. The company, which has been redeveloping the Koolyanobbing iron ore mine with China's Anshan Iron and Steel, said it was in the process of finalising negotiations "regarding a possible placement which would result in a significant injection of funds . . . and a shareholding interest for the incoming investor". *Nikki Tait*

Sony plans India sales drive

Sony, the Japanese consumer electronics group, plans to raise its share of the Indian colour television and audio system market from 4 per cent to 10 per cent over the next two years, Mr Yoshio Kubo, the managing director of Sony India, said.

Mr Kubo told Press Trust of India that prices for Sony's products were higher than domestic rivals, which made it difficult for the company to gain a larger market share. He said while it would be hard for Sony to lower its prices just to compete with other local manufacturers, it was planning to localise components in order to prevent prices from going up. Mr Kubo said Sony planned to localise 20 per cent of components by March 1998.

Press Trust also reported that Sony planned to raise its investment in India to $16m in the next three years, and added that Sony planned to introduce products such as computers, CD-ROMs and colour monitors. *AFX News, Bombay*

Texaco chief to retire

Texaco said its chairman and chief executive officer Mr Alfred Decrane, 65, would retire on July 1 and would be replaced by senior vice president Mr Peter Bijur. Mr Bijur currently oversees the company's foreign operations. *AFX-News, Texas*

Electricity sell-off in Rio moves closer

By Jonathan Wheatley in Sao Paulo

The privatisation of Rio de Janeiro electricity company Light moved a step closer yesterday when shareholders approved its division into two companies.

Light SE, the company's operational side, will be sold. The other unit, to be known as Lightpar, which consists of its shareholding in São Paulo electricity company Eletropaulo, will remain under the control of holding company Eletrobrás.

Preliminary results for 1995 show a loss before the split of R$111.2m (US$113.6m), after 1994 profits of R$149.5m. However, earnings from Eletropaulo showed a loss of R$205.5m (against a profit of R$48.2m in 1994); Light's own operations showed a profit of R$95.3m, down slightly from R$101.3m in 1994. Comparing the results is difficult, however, because of Brazilian accounting rules and currency variations.

The date of Light SE's privatisation and full details of the sale offer are due to be published by BNDES, the national development bank, on February 1. The auction was previously scheduled for March 13 but was delayed following legal objections by trade unions. The sale is now likely to take place in April.

Last year, BNDES valued 100 per cent of Light's voting capital at R$3bn. Following cuts in corporate income tax, however, the bank increased its valuation to R$3.7bn. Sixty per cent of voting stock will be offered at public auction, 10 per cent will be offered to employees and 12 per cent will be held for sale at a later date; the remaining 18 per cent is already publicly traded.

The banks said purchasers will be required to pay in cash. This contrasts with earlier sales in Brazil's privatisation programme when government securities, often trading at discounts of up to 60 per cent, were accepted at face value.

GM units ahead at year-end

By Richard Waters in New York

Three subsidiaries of General Motors - Hughes Electronics, EDS and General Motors Acceptance Corporation - reported a 9 per cent increase in combined post-tax profits for last year, to $2.92bn.

The three earned $796m in the final quarter, up 13 per cent from a year before.

Both EDS, which is due to be split off from GM later this year, and Hughes exceeded expectations for the final quarter of 1995, with earnings per share of 56 cents and 74 cents respectively.

The advance at EDS came on the back of a 24 cent per cent jump in revenues during 1995, to $12.4bn. The share of the systems and consulting group's revenues emanating from other parts of GM fell to 31 per cent, from 36 per cent in 1994.

Hughes, meanwhile, registered revenue growth of 5 per cent in the year, to $14.8bn, and 11 per cent in the final quarter. Most of the growth came from the DirectTV venture, as well as the sale of satellite and cellular communications equipment.

Net income for the year rose 12 per cent to $1bn at GMAC, 2 per cent to $948 at Hughes and 14 per cent to $939m at EDS.

GM will report results for its core automotive businesses today.

Rhône-Poulenc Rorer set to eliminate 2,900 jobs

By Daniel Green

Rhône-Poulenc Rorer, the US drugs company controlled by French chemicals group Rhône-Poulenc, plans to eliminate 2,900 jobs by the end of 1997, Mr Michel de Rosen, managing director, said yesterday.

The cuts would be the most important contribution to savings of $200m a year following the £2.7bn ($4bn) acquisition last year of UK drugs company Fisons. About 1,600 jobs from the 28,000-strong payroll would be eliminated this year.

Some jobs would go as businesses were sold. RPR would announce details of the job cuts when they were finalised, and they would be "in many countries", Mr de Rosen said.

"There is productivity potential everywhere," he said, adding that in some markets, such as China, employee numbers would rise. Some divisions would add staff, notably in health economics. He added that the figures excluded staff of Fisons' scientific instruments' division, whose sale was negotiated by previous Fisons' management for £202m to Thermo Instrument Systems of the US, and which should be completed "soon".

Mr de Rosen ruled out further acquisitions for the next two to three years while this restructuring takes place.

RPR also announced its 1995 results. It made a net profit of $337.8m, compared with $347.9m in 1994, with both years adjusted for acquisitions made in 1994. On the same basis,. net sales rose from $4.49bn to $5.14bn in 1995.

Earnings per share were unchanged at $2.50, held back by $22.6m of restructuring charges related to the acquisition of Applied Immune Sciences, a US biotechnology company.

Excluding the charges, earnings per share rose from $3.06 to $3.21. The acquisition of Fisons reduced earnings per share by $0.05; it would be earnings neutral in 1996 and positive from 1997.

The company has made a $25m provision for a French government levy on all pharmaceuticals companies operating in France. The exact size of the levy has not been finalised.

RPR's sales growth was driven by its largest products. The top 10 products grew by 20 per cent, excluding currency effects. The largest two are Lovenox, a heart drug, with sales up 30 per cent at $300m, and Azmacort, for asthma, with sales up 42 per cent at $208m. This is in accord with an announced strategy to try to concentrate sales on fewer products.

Rhône-Poulenc, which owns 68 per cent of RPR, publishes its results for 1995 tomorrow.

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Michel de Rosen: 'There is productivity potential everywhere'

Apple advertises to ease customer fears

By Louise Kehoe in San Francisco

Apple Computer yesterday took full-page advertisements in leading US newspapers in an attempt to reassure customers it will continue to meet their needs, whether or not it is acquired by Sun Microsystems.

Mr Michael Spindler, Apple chief executive, told customers that the company's top priority was to "put our fiscal house in order".

"Rest assured," he said, "Apple's mission remains as vibrant today as it was in 1976 [when the company was founded]. Apple's continued growth depends on constant and direct communication with you." Mr Spindler urged customers to respond to an "AppleForever" electronic mail address.

Mr Spindler's statement follows industry reports that some large Apple customers have put new orders on hold and that uncertainties about the company's future are making consumers nervous about purchasing Apple products.

Despite a report last week in the Wall Street Journal that a merger deal between Apple and Sun Microsystems was "imminent", it now appears that Sun is in no hurry to close a deal. Mr Scott McNealy, Sun chief executive, spent the weekend playing golf, Sun officials said.

Neither, it appears, have the companies come close to an agreement on price, with varying reports suggesting that Sun has proposed a $23 a share stock swap deal, or as much as $33 per Apple share.

Apple's share price dropped by more than 5 per cent yesterday morning to trade at $28¼, as analysts expressed concerns that Sun may be losing interest in a deal.

Apple officials continued, moreover, to maintain that the company "is not for sale". Mr Marco Landi, Europe president, said in an interview in Le Figaro that Apple was simply "seeking limited partnerships for specific markets".

Meanwhile, further evidence of Apple's problems came from Dataquest, a US market research firm, which yesterday reported that Apple slipped to number three in the world PC market last year, down from second position in 1994.

"Apple lost its number two position to IBM because of a particularly weak fourth quarter amid price wars in Japan and high-cost products relative to its competitors," said Mr Kimball Brown, Dataquest's chief PC analyst.

Compaq Computer remained the market leader with a 10 per cent share, in terms of unit shipments, Dataquest said. IBM's share was 8 per cent, down from 8.2 per cent in 1994, while Apple's share of the world market declined to 7.8 per cent from 8.3 per cent.

Loewen reaches $85m settlement with funeral group

By Robert Gibbens in Montreal

Loewen Group, North America's second-biggest funeral home operator, has avoided having to file for Chapter 11 bankruptcy after reaching a settlement in its dispute with Mississippi funeral home operator Mr Jeremiah O'Keefe.

Loewen values the settlement at US$85m on an after-tax basis. This includes payment of US$50m on January 31, an issue of 1.5m Loewen common shares by February 15, and annual payments of US$4m each year over the next 20 years.

The company had wanted to appeal against a US$500m civil award, made last November after Mr O'Keefe sued Loewen for breach of contract. He alleged the Loewen company had reneged on an agreement to sell his group's insurance policies, after it bought a funeral home in Jackson, Mississippi.

However, the Mississippi Supreme Court ruled that Loewen would have to post a US$625m bond in order to lodge the appeal.

Mr Raymond Loewen, chairman, said the appeal "would have meant several years of continued uncertainty at significant cost to the company."

"After analysing various alternatives, we decided a structured settlement was in the best interest of the company, its shareholders and employees," he said, adding that "we were confident of a successful appeal of the unjust and disproportionate award of damages."

Vancouver-based Loewen runs more than 800 funeral homes and cemeteries in north America, and has expanded more than tenfold since the late 1980s. Mr Loewen and his family have a 17 per cent equity interest.

The O'Keefe family operates funeral homes and a funeral insurance business in Mississippi. The O'Keefes accused Loewen of anti-trust actions, breach of contract and trying to drive them out of business.

If Loewen shares remain below US$30 in the market within a year, further unspecified payments would be made to the O'Keefes in cash or stock.

Loewen already had almost US$700m in long-term debt after a wave of expansion in the past few years. About 90 per cent of its revenues come from its US operations.

The value of Loewen stock has fallen to about half the 1995 peak of C$56.

Petrobrás and YPF in deal for downstream operations

By David Pilling in Buenos Aires

YPF and Petrobrás, the two biggest oil groups in Argentina and Brazil respectively, yesterday agreed jointly to seek out regional opportunities in downstream activities.

YPF, Argentina's biggest private company, and the state-owned Petrobrás already have a strategic alliance in upstream activities. This has seen them drilling jointly in the Gulf of Mexico and offshore in the South Atlantic off the southern coast of Argentina.

Yesterday's agreement, signed in Buenos Aires by Mr Nells León, YPF president, and Mr Joel Mendes Rennó, his Petrobrás counterpart, will extend such co-operation to refining and retail activities.

Once opportunities of "mutual interest" have been established, separate joint companies will be formed, financed 50:50 by YPF and Petrobrás. In some cases, third party shareholder participation will be sought.

YPF, which is increasingly seeking opportunities outside Argentina, is particularly keen to prise open the enormous Brazilian market. In the past, this has been all but closed to outsiders, but is now expected to be slowly liberalised.

YPF executives believe the best way of accessing Brazil's market is through an alliance with Petrobrás, rather than head-on competition. In return, it will offer its Brazilian counterpart a share of projects in the fast-developing, though much smaller, Argentine market.

YPF, which recently bought a chain of petrol stations in Chile, is keen to set up service stations in Brazil. In doing so, it hopes to take advantage of the sharp increase in regional road haulage, prompted by consolidation of the Mercosur customs union, which groups Argentina, Brazil, Uruguay and Paraguay.

Analysts say that the forging of closer links between YPF and Petrobrás makes sense given that the companies have expertise in complementary spheres.

YPF is strong in gas, while Petrobrás has more offshore experience, particularly in very deep water.

If YPF presses ahead with exploration around the Falkland islands, the ability to tap such expertise could prove vital.

In the long run, closer co-operation between the two South American oil giants could lead to a joint investment in a planned gas pipeline between the two countries.

The two groups are among several companies exploring the potentially enormous gas basins in northern Argentina. Enough reserves will have to be proved to supply the huge market of southern Brazil, including São Paulo, before any decision is taken to go ahead.

Ontario Hydro wants its power stations privatised

By Bernard Simon in Toronto

Ontario Hydro, North America's biggest power utility, wants its monopoly ended and its power stations privatised in order to adjust to fast-moving changes in the electricity market.

The utility, an agency of the Ontario provincial government, suggested that these and other restructuring measures should be implemented over the next four years.

The proposals were contained in a submission to a committee set up by the province's new Conservative government to review Hydro's future.

The panel, headed by Mr Donald Macdonald, a former Canadian finance minister and high commissioner in London, is expected to support at least the broad outline of the utility's recommendations. Its report is due to be completed this spring.

Hydro has been through a top-to-toe shake-up in the past three years, designed mainly to put a brake on spiralling electricity tariffs. The workforce has been trimmed by almost a quarter to 22,000, and outstanding debt has been reduced from C$35.6bn to C$33.5bn (US$24.2bn).

However, the submission said further restructuring was required to deal with rising competitive pressures. It predicted an inexorable trend across North America towards direct retail access to electricity supplies. Hydro is mainly a wholesaler, selling the bulk of its output to more than 300 municipal utilities.

The 90-page report said power utilities needed greater flexibility to respond to the convergence of electricity with other industries, such as telecommunications, home computers and information systems.

"Increasingly, these services can be substituted for, or combined with, each other," it said.

"We propose that in the year 2000 any Ontario electricity customer of any size can directly purchase electricity from any supplier inside or outside the province or from a spot market in electricity into which any generator could bid."

The disposal of Hydro's power stations would be the biggest privatisation in Canada's history. The utility has a generating capacity of 30,800 megawatts, almost half of which is nuclear.

The report suggested that the nuclear power stations should be maintained as a single entity, and perhaps merged with parts of Atomic Energy of Canada. Hydro's transmission network would be turned into a regulated common carrier.

A government-controlled "central market operator" would oversee the new spot market in electricity. A central authority would help "promote a reliable electricity system through centralised integration and control", the report said.

Japanese recover the taste for equity-linked funding

Companies are taking advantage of the recovery in the stock market, writes **Emiko Terazono**

The recent recovery of the Tokyo stock market has not been lost on Japanese companies looking for an opportunity to raise funds for capital investments and to repay old debts.

A spate of financing announcements last week signalled a revival of equity-linked funding. Mitsubishi Motors has announced the launch of a Y100bn convertible bond issue, the largest since October 1994, while NTT Data, a data communications company, raised Y97bn through the offer of 33,000 new shares.

Japanese companies have been forced to refrain from equity-linked financing due to the poor state of the Tokyo stock market. Last year the market was hit by the Kobe earthquake and the sharp appreciation of the yen.

However, the revival of the Japanese economy has prompted companies to review their capital investment plans. Electronics makers, for example, are expecting an increase in demand for personal computers and semiconductors. Sony, the consumer electronics maker, is expected to announce the launch of a Y300bn domestic convertible bond, while Hitachi and Fujitsu are considering raising Y100bn to invest in new semiconductor lines.

Japanese companies also face a wave of bond redemptions from the equity-linked financing launched at the height of the "bubble" era when the stock market boomed in the late 1980s and early 1990s. As a result of the slump that followed, the conversion of warrant bonds and convertible bonds into equity has been slow and companies are once again likely to dip into the market for funds. Mitsubishi Motors, for instance, will use the proceeds from its convertible bond issuance to refinance warrant bonds which mature in May.

Fund-raising helter-skelter (Ybn)

Year	Equity offerings	Convertible/warrant bond issuance	Total	Change on year (%)
1990	4,100	7,000	11,200	-59
1991	1,300	5,200	6,500	-42
1992	400	2,300	2,800	-57
1993	1,900	3,500	5,400	+92
1994	2,500	3,400	5,900	+10
1995*	1,000	1,500	2,500	-58
1996*	1,500	3,300	4,800	+92

* Goldman Sachs estimates. Some figures rounded. Source: Goldman Sachs, Tokyo

The new financing trend, however, has raised supply worries among some analysts. Ms Kathy Matsui, strategist at Goldman Sachs in Tokyo, has doubts on whether the stock market can absorb extra supply since recent market strength has been led by a rally in speculative stocks. "The breadth of the current rally is not a healthy one," she says.

The selling which hit Sony following last week's reports of its Y300bn convertible bond issue, revealed the weakness in investor sentiment. The stock fell 2.6 per cent on the reports and have so far failed to recover.

On top of fund-raising by leading companies, investors can expect equity-linked issues by start-ups on the over-the-counter market due to the easing of restrictions.

The rule preventing OTC companies from issuing warrant bonds was abandoned at the start of the year along with the minimum profit requirements for companies listed on the Tokyo stock exchange looking to issue warrant bonds.

Another concern is the sale of government shares of quasi state-owned companies, which were postponed last year due to weak stock market conditions. Share offerings by the government during the past few years have triggered sharp declines in Japanese shares but it is under pressure to list West Japan Railways, one of the seven companies formerly constituting Japan National Railways.

It is also likely to offer shares of East Japan Railways, and Nippon Telegraph and Telephone. James Capel in Tokyo estimates supply from government offerings this year to total some Y500bn.

£30m buy latest in German stake in London investment banking

WestLB acquires Panmure

By John Gapper, Banking Editor

Westdeutsche Landesbank Girozentrale, the German regional bank, is accelerating its push into investment banking in London by buying Panmure Gordon, the stockbroking company owned by NationsBank of the US.

WestLB, which has aquired Panmure for an estimated £30m, will nearly double its staff in London by taking on Panmure's 260 employees. It has been recruiting to build up equity and derivatives operations.

The acquisition is the latest move by a German bank to expand in investment banking in London following Dresdner Bank's £1bn purchase of Kleinwort Benson last year, and Deutsche Bank's expansion in investment banking.

Panmure, which was founded in 1876, still retains a long list of corporate broking clients although most of them are medium-sized companies.

It also has an equity research arm, employing 26 industrial sector analysts.

The disposal by NationsBank marks the end of its ambitions to expand in investment banking in London.

It bought a 29.9 per cent stake in Panmure in 1985 when rules on ownership of brokers were relaxed, taking full control in 1987.

WestLB, which is buying Panmure for its London subsidiary West Merchant Bank, is pursuing a more low-key strategy than other German banks.

It has mainly relied until now on recruiting staff from other investment banks. It acquired a team of derivatives specialists from Deutsche Morgan Grenfell in New York, and aims to start derivatives trading next month.

Mr Patrick Macdougall, the chief executive of West Merchant Bank, said its London ambitions "will be satisfied" by buying Panmure.

But it might try to build up a presence in emerging markets when London was seen to be working properly.

He said there was "no overlap" between WestLB and Panmure, although WestLB has been handling cross-border equity issues in Europe.

He said Panmure would give it strength in research in some industrial sectors.

Ascot sells Spanish hotels for £41.5m

By Patrick Harverson

Ascot Holdings, the property, hotels and pubs group which plans to become an industrial holding company, has agreed to sell its Spanish hotels subsidiary for £41.5m.

The buyer is Riu, a large Spanish hotels group. The purchase price of the 10 hotels, holiday clubs and apartment complexes represents a 29 per cent premium over their asset value of £32.1m. Last year, the businesses made an operating profit of £3.6m on turnover of £21.8m.

Ascot closed up 8p at 287p.

The sale, which requires shareholder approval, is the latest and by far the largest in a string of disposals made by Ascot in the past two years to reduce borrowings and, eventually, raise money to invest in a new industrial business.

Since 1993, the group has sold more than 100 different businesses, using the proceeds to reduce debt from about £330m to £45m. When the Spanish hotels sale is completed, it will further cut debt to £5m and leave the group with 500 pubs, four UK hotels and various property interests, which together are estimated to be worth £75m in cash.

Mr Howard Dyer, chairman, said yesterday that the £70m in cash which will be left over once the disposal programme was completed would be used to pay for a single large acquisition.

Marriott rejects Granada hotel swap

By Scheherazade Daneshkhu, Leisure Industries Correspondent

Marriott International, the US hotel and catering group, has rejected Granada Group's offer to swap Exclusive and Méridien hotels for Marriott's catering business.

The TV and leisure group is selling the two luxury hotel chains, with a book value of £1.6bn, following its takeover of Forte, the UK's largest hotels company.

Mr Jim Fisher, vice-president of development at Marriott International, denied reports that Marriott had suggested the idea.

"We were approached by Granada and we rejected the proposal," he said. However, he admitted Marriott had been in talks about the possible purchase of some Méridien and Exclusive hotels.

CDL Hotels, the Singapore-based group, said it was interested in acquiring Méridien hotels but had not yet held discussions with Granada.

Accor, the French hotels group, is also interested in the chain.

Granada said yesterday the hotels would go to the highest bidder. It is talking to interested parties, which include Sir Rocco Forte, chairman of Forte, over the next month. It will then ask for indicative offers from serious parties, after which it will seek final offers from the top two bidders.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Beale	Yr to Oct 28	46.3	(43.1)	2.85♠	(2.86♥)	17.7	(20)	4.5	Apr 9	-	6.7	-
Bullough	Yr to Oct 31	343.1	(284)	10.5♠	(17.6)	[illegible]	(9.67)	4.3	Apr 9	4.3	[illegible]	[illegible]
Courtyard Leisure §	6 mths to Sept 30	0.607	(0.77)	0.25L	(0.079L)	1.78L	(0.57L)	-	-	-	-	nil
Eurocamp	Yr to Oct 31	87	(70.2)	9.25	(8.65)	22.41	(22.4)	7.25	Apr 19	6.9	11	10.5
Filtronic Comtek	6 mths to Nov 30	15.2	(12.1)	2.01	(1.5)	[illegible]	(3.23)	0.75	Apr 1	-	-	0.75
Haynes Publishing	6 mths to Nov 30	13.1	(11.6)	2.21	(2.15)	8.3	(8.2)	4.5	Apr 30	4	-	9.5
[illegible] Greetings ϕ	6 mths to Sept 30	17.3	(14.9)	1.09	(0.818)	19.2	(10.8)	5	Feb 20	-	-	-
Soundtracs §	Yr to Nov 6	6.83	(7.04)	0.003	(0.724)	0.11	(4.66)	nil	-	1.58	[illegible]	2.5
[illegible] §	Yr to Oct 31	19.5	(23.3)	1.21	(2.11♥)	1.34	(2.56)	-	-	-	-	-

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
TR Smaller Cos	6 mths to Nov 30	221.9	(199.9)	6.24	(3.61)	3.5	(2.02)	1.5	Mar 15	1.5	-	3.9
St Andrew	Yr to Dec 31	351.1	(312.7)	3.18	(2.87)	[illegible]	(8.34)	6.05	May 3	5.4	9	8.2
USDC	Yr to Dec 31	294.4	(269.1)	2.17	(1.86)	5.92	(4.61)	3.5	Mar 18	3.25	4.75	4.5

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♠After exceptional charge. ♥After exceptional credit. ‡On increased capital. ϕAlm stock. §USM stock.

John Barnes: deal will help the expansion of the brand

Compass bolsters fish and chip link

Compass, one the world's leading contract caterers, yesterday put its weight behind spreading the word about high quality fish and chips when it strengthened its links with Harry Ramsden's, the USM-quoted shop chain, writes David Blackwell.

Compass which at present operates a single Harry Ramsden's at London's Heathrow airport, has been given exclusive rights to the Harry Ramsden's brand. It will develop a minimum of another 15, mainly at international airports, paying a franchise fee based on turnover.

Mr John Barnes, chief executive of Ramsden's, said the deal would assist the expansion of the brand "and enable us to benefit from the strengths of Compass Group's distribution". Ramsden's is due to announce full year results today.

Persimmon offers £170m for Ideal

By Andrew Taylor, Construction Correspondent

Persimmon yesterday delivered what it hopes will be a knockout blow in its bid to buy Ideal Homes from Trafalgar House, by making an offer worth at least £170m ($262m), and securing conditional acceptance from Trafalgar House.

Beazer, a rival housebuilder, has complained that Trafalgar refused to consider the formal offer for Ideal it made at the beginning of the month. It says it will try to persuade Trafalgar House shareholders to block the sale to Persimmon.

Analysts thought it unlikely that Beazer would try to top Persimmon's offer, in the face of opposition from Trafalgar management.

The conglomerate is holding a shareholder meeting on February 22 to consider Persimmon's terms.

Persimmon yesterday launched a rights issue to raise some £91m to help finance its cash offer, which is expected to rise to about £180m after final valuations.

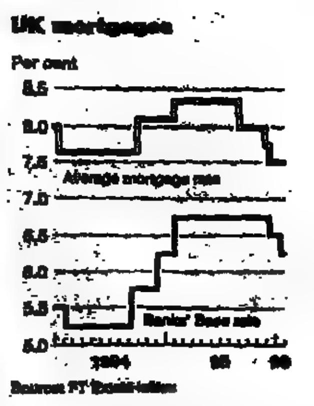
Persimmon is offering one new share at 155p for every two already owned by shareholders. The group's share price yesterday fell 4p to 191p.

The acquisition would make the company the UK's fourth biggest housebuilder. The combined businesses would have gearing of about 60 per cent.

LEX COMMENT

UK mortgages

As yesterday's grim lending figures confirm, mortgages are a commodity for which supply in the UK far exceeds demand. It is not surprising, therefore, that expectations of a bloody price war are running high. On the one hand, the UK banks are making returns on equity of about 20 per cent – a performance which does not look sustainable for ever. On the other, the mutual building societies, awash with capital, are determined to prove they can undercut the banks. The fact that they do not have shareholders to reward is not the automatic commercial advantage some see it as – if it were, nationalised industries would have been a big success. But it still gives plenty of scope for margins to come down sharply.



To an extent, they already have. Competition in the mortgage market has put a hard squeeze on margins between mortgage and base rates. Nonetheless, lenders have continued to make juicy profits – through the simple expedient of passing on lower rates to depositors. They have been able to do so because the British are still in saving, not borrowing, mode. And deposits in the UK are still growing faster than mortgage-lending.

This gives lenders some cushion from the worst effects of an aggressive round of rate cuts. But if the pessimists are right, and especially if the mutuals' across-the-board approach helps attract more existing borrowers to remortgage, it is unlikely to be enough to protect the banks' generous ratings from taking something of a knock.

HSBC integrates European banking

By John Gapper, Banking Editor

HSBC Holdings, the UK-based international banking group, is to integrate its investment banking operations in Europe – carried out separately by Samuel Montagu, its merchant bank, and James Capel, its stockbroking arm.

The two will operate as a single entity in continental Europe under the name HSBC Investment Banking, although James Capel and Samuel Montagu will retain separate corporate broking and corporate finance arms in the UK.

The prefix HSBC is to be added to James Capel and Samuel Montagu in the UK to identify them as members of the parent group.

The main change will be the way in which corporate finance and mergers and acquisitions are handled outside the UK.

HSBC is setting up a division mostly drawn from Samuel Montagu to handle the origination and execution of deals.

The division is to be called HSBC Investment Bank, and will be headed by Mr Keith Harris, chief executive of Montagu. It will work alongside a division called HSBC James Capel, which includes all securities research and distribution, and headed by Mr Peter Letley.

Mr Bernard Asher will remain chairman of HSBC's investment banking arm.

T&N may consult EC over Kolbenschmidt

By Tim Burt

T&N, the UK motor components and engineering group, is considering asking the European Commission to intervene in its stalled DM282.6m takeover of Kolbenschmidt, one of Germany's leading piston manufacturers.

The company has drawn up plans to submit the bid to competition authorities in Brussels after being frustrated by the German cartel office, which rejected the takeover last summer.

Although T&N has submitted an appeal to the Kartellamt in Berlin, it hopes to get a more sympathetic hearing from EU competition officials.

The German authorities rejected the takeover of Kolbenschmidt on the grounds that it would strengthen Goetze, the German piston ring manufacturer which T&N acquired for DM250m in 1993.

Industry analysts said the Kartellamt feared that T&N would force Kolbenschmidt to acquire its components from Goetze, thereby depriving other piston ring companies of one of their largest customers.

A ruling is expected on T&N's appeal this summer. If it pursues separate takeover clearance in Brussels, the ensuing inquiry could take several months.

Its hopes rest on the Commission accepting that consolidation is inevitable, and indeed desirable, among component companies as motor manufacturers seek larger single-source suppliers. Approval from DG4, the EU competition authority, would override the Kartellamt ruling.

To be considered by DG, the companies involved in a takeover need to have combined sales of £3.7bn. Together, T&N and Kolbenschmidt have turnover of £2.8bn.

The UK group has, therefore, begun discussions with other component suppliers that might want to acquire some part of Kolbenschmidt's operations following a takeover, and whose presence would push the deal over the commission threshold.

T&N, moreover, has made it clear that it would still prefer an outright acquisition rather than a joint venture with Kolbenschmidt.

It has already secured options over 49.9 per cent of the German manufacturer.

Milan office for NatWest Ventures

By Richard Gourlay

NatWest Ventures, one of the UK's largest providers of equity to private business, is expanding its European network with a subsidiary in Milan.

Through its offices in Spain, Paris and its Zurich representative, continental Europe accounted for a quarter of the £142m NatWest Ventures invested last year, up from less than 8 per cent the previous year.

NatWest Venture's move is the latest by UK-based private equity investor into continental Europe. 3i, the UK's largest private equity investor, announced last week it will be opening four regional offices in Germany within 18 months.

Mr David Shaw, managing director of NatWest Ventures, said the expansion was driven by increasing competition in the UK and by the perception that opportunities are growing in Europe.

The Italian subsidiary is likely to be particularly interested in funding management buy-outs from international companies, says Mr Shaw.

Buoyant telecoms benefits Filtronic

By Christopher Price

Filtronic Comtek reported a 34 per cent rise in interim pre-tax profits, from £1.5m to £2m ($3.1m) as the manufacturer of specialist components took advantage of buoyancy in the mobile telecoms industry.

Margins improved from 12.4 per cent to 13.2 per cent, for the half year to November 30. The group, floated in October 1994, announced a maiden interim dividend of 0.75p.

The shares rose 40p to 445p.

Most of the flotation proceeds have been invested in new capacity which has increased eight-fold in the last year, according to Professor David Rhodes, chairman.

He added that increased orders from telecoms manufacturers, such as Motorola, AT&T and Nokia, should keep Filtronic at full capacity until the middle of 1997.

Following the investment, Prof Rhodes said the remainder of the year should see a period of strong growth, underpinned by continued strong demand for mobile telecoms.


David Rhodes: sees strong growth in rest of year

The European business had been improved by substantial orders from Matra and Nokia for complex sub-systems. The Australian division had won its first orders for masthead electronic sub-systems as well as for filters.

Full year pre-tax profit forecasts of £5.5m give earnings of 8p and put the shares on a prospective p/e of more than 50.

DIGEST

Macdonald Hotels comes to market

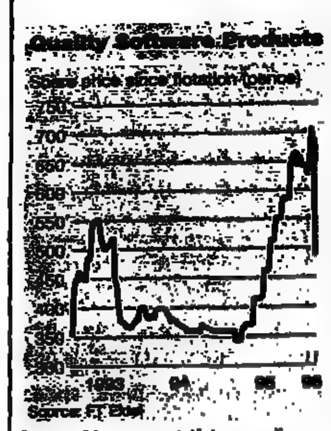
Macdonald Hotels, a Scottish-based company which owns 16 hotels and operates a further 53 under contract, is coming to the Stock Exchange before Easter via a placing which is expected to value it at approximately £80m ($123m).

Macdonald Hotels was formed in 1990 by Mr Donald Macdonald, 48, formerly managing director of the hotel division of Stakis, the hotels and casinos group, and other colleagues from Stakis.

Operating profit has grown from £427,000 in 1991 to £5.99m in the year to March 1995, while turnover has risen from £2m in 1991 to £28.8m last year.

James Buxton

Warning cuts QSP shares



Shares in Quality Software Products Holdings fell by almost a third yesterday after the accounting software group warned that profits for 1995 "will not meet market expectations". Analysts, who had been forecasting pre-tax profits of £3m, reduced their figures to about £500,000 ($770,000). The shares closed 218p lower at 490p. QSP blamed delays in the signing of contracts, which it said would cut £2.3m from profits. Mr Alan Mordain, chairman, said it was not a case of QSP having the wrong products, "otherwise our sales wouldn't be up 30 per cent this year".

Pressure on margins had prompted the company to undertake rationalisation and reorganisation measures, which would cost a further £500,000. Much of this was associated with the company's purchase last October of its US distributor, Global Software. The company launched a £14.7m rights issue at 535p a share to fund the purchase.

Christopher Price

SW Water chief steps down

South West Water, the utility which has recently come under severe criticism over high charges, water quality and supply shortages, announced yesterday that Mr Bill Fraser is stepping down as managing director.

In a carefully worded statement, South West Water said it had agreed to Mr Fraser "relinquishing his appointment and leaving the company on 29 February." However, he will be retained for a year as a consultant on "international capital projects".

Patrick Harverson

Fulmar valued at £40m in float

Fulmar Group is joining the stock market in a flotation which is likely to value the printing group at about £40m ($62m). The move will make a multi-millionaire of the company's founder and chief executive, Mr Mike Taylor, whose share of the group after flotation will be worth approximately £30m.

Mr Taylor started Fulmar, based in south London, in 1972.

Unaudited results for 1995 show operating profits up 60 per cent to £4m on turnover 26 per cent ahead at £20m. Since the company's formation, sales have grown at a cumulative annual rate of 32 per cent.

Christopher Price

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Prices for Trading on 30.01.96: Pool purchase price £/MWh	Final Prices for Trading on 02.01.96: Pool purchase price £/MWh	Pool selling price £/MWh
0030	24.11	9.03	9.03
0100	24.42	15.10	16.94
0130	56.01	15.10	16.94
0200	56.02	15.10	16.94
0230	24.44	15.05	16.90
0300	45.32	14.23	16.06
0330	45.32	14.23	16.05
0400	46.30	8.96	8.96
0430	24.96	8.91	8.91
0500	24.96	8.91	8.91
0530	24.23	8.92	8.92
0600	24.25	8.91	8.91
0630	24.24	8.93	8.93
0700	35.29	8.99	8.99
0730	39.68	9.40	11.34
0800	61.27	13.10	14.94
0830	61.92	13.10	14.94
0900	74.66	25.66	27.50
0930	79.96	26.71	28.56
1000	82.36	26.71	28.56
1030	78.46	26.72	28.57
1100	78.07	26.72	28.57
1130	86.44	34.38	36.23
1200	117.59	43.58	45.43
1230	120.69	43.59	45.44
1300	115.91	43.58	45.43
1330	100.94	26.72	28.56
1400	77.91	26.72	28.57
1430	72.11	26.72	28.57
1500	69.60	26.72	28.57
1530	74.03	26.74	28.60
1600	100.67	31.28	33.19
1630	233.93	43.32	47.28
1700	422.40	60.70	67.57
1730	516.35	70.71	77.11
1800	418.29	65.11	70.63
1830	224.11	40.85	43.59
1900	95.71	38.34	40.47
1930	63.81	37.60	39.62
2000	46.40	32.75	34.61
2030	39.16	32.71	34.57
2100	36.49	26.71	28.56
2130	34.55	25.65	27.50
2200	33.46	15.18	16.03
2230	24.23	9.40	9.40
2300	22.52	8.99	8.99
2330	23.28	8.95	8.95
2400	9.13	8.94	8.94

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.86/MWh becomes 1.686p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0115 945 5750 between 8:30am and 5.15pm Monday to Friday.
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COMMODITIES AND AGRICULTURE

Recovery in cereal harvests predicted

By Alison Maitland

All the signs are pointing to larger grain harvests around the world this year.

The United Nations' Food and Agriculture Organisation said yesterday that output was set to rise in the major producing regions of the US, the European Union, Australia and Argentina.

Opening a 5-day meeting on world food security, the FAO also repeated warnings that the low level of cereal stocks would hurt poor countries heavily dependent on food imports.

Its report coincided with comments on the grain situation by Mr Dan Glickman, the US agriculture secretary, who insisted there was no "crisis".

He added, however, that tight maize supplies could lead to the slaughter of farm animals in the US and around the world. "Its effect will obviously be felt on the livestock sector very dramatically," he said during a visit to India.

Last week the US agriculture department acted to put more land into production to ensure grain supply met demand and to allow its farmers to take advantage of high prices.

Some 36m acres are held in a long-term, set-aside programme known as the Conservation Reserve. Farmers whose land is due to be released from the programme in September can opt out early, in time for spring planting. Mr Glickman said yesterday this was expected to free 1m-1.25m acres, admitting this was "not a huge amount".

High prices are expected to increase output around the world. Last week the International Grains Council forecast that world wheat production could rise to 553m tonnes, up 22m tonnes on last year.

The FAO also painted a brighter picture. It said the US winter wheat crop for harvest next summer was looking fair to good. In the EU, dry and mild weather in October favoured the planting of winter grain and the area sown would rise with high prices and the cut in set-aside.

Early indications suggested maize output in Argentina and Brazil would be "significantly higher". In Australia, badly hit last year by drought, production of winter grains was forecast to jump by about 80 per cent.

The UN agency has warned that world cereal output must rise by at least 4 per cent this year to safeguard food security.

It estimated yesterday that world cereal production last year was 1.89bn tonnes. That is 58m tonnes, or 3 per cent, less than in 1994 and well below trend for a third year.

The FAO expected cereal stocks to fall to 265m tonnes this year, 15 per cent down on the previous year. It said the run-down in stocks by major exporting countries was partly to blame for the sharp rise in cereal prices.

Higher prices, cuts in export subsidies and lower food aid donations meant "low-income, food-deficit countries" faced a 25 per cent rise in their cereal import bills, it said.

Export subsidies have been cut or even reversed, with the EU imposing an export tax on wheat in December – a move attacked by the US.

MARKET REPORT

Coffee futures at 10-week highs

Robusta COFFEE futures soared over 6 per cent at the *London Commodity Exchange* yesterday on fund and speculative buying prompted by growing fears of tight nearby supply, traders said.

"The funds and speculators have jumped back into the market. The same funds that pushed coffee prices down in December are now pushing it back up," said one.

At the close the benchmark second-month robusta contract was up $108 at $2,115 a tonne and just off a ten-week high of $2,135.

Traders said poor weather in Mexico, a trucker's strike in Colombia, the second biggest producer after Brazil, and the Association of Coffee Producing Countries' agreement last week to extend export curbs past June 1996 had all encouraged the price surge.

LCE COCOA futures ended sharply down, wiping out Friday's gains, but the move lacked turnover.

"The market is strong one day, followed by origin selling and profit-taking by the longs the next day," said one trader. "But underneath, there is nothing."

Compiled from Reuters

Bureau estimates rise in copper use

By Kenneth Gooding, Mining Correspondent

Western World Metal Market Balance Estimates for 1995 ('000 tonnes)

Aluminium		**Nickel**	
Production	14,350	Production	616
Net East/West Trade	+2,304	Net East/West Trade	+113
Consumption	17,291	Consumption	784
Balance	-637	Balance	-55
Copper		**Tin**	
Production	8,981	Production	132
Net East/West Trade	+626	Net East/West Trade	–
Consumption	10,220	Consumption	168
Balance	-613	Balance	-37
Lead		**Zinc**	
Production	4,551	Production	5,398
Net East/West Trade	+65	Net East/West Trade	+375
Consumption	4,678	Consumption	5,816
Balance	-62	Balance	-42

Source: WBMS

Tentative estimates from the World Bureau of Metal Statistics suggest that consumption in the world outside the former eastern bloc countries of copper, nickel, tin and zinc increased last year but the use of aluminium and lead fell.

The statistics also suggest that, even if net exports of these metals from the former eastern bloc matched those of 1994, demand for all six outpaced supply again last year.

Mr Lloyd Davies, general manager of the WBMS, says that the estimates are based on the latest reported figures for the first three quarters of 1995 grossed up for a full 12 months. This approach, although "unsophisticated", can "provide indicative estimates of western world aggregates" provided it is based on good information for the earlier part of the year, he says in WBMS's latest monthly bulletin.

However, "the overall estimate of production is probably more reliable that that of consumption and any calculation of the balance between the two must recognise that small differences in either will have a significant impact on the estimated surplus or deficit for the year".

Mr Davies complains that the Bureau's task has not been made easier by the way that members of the European Union report trade statistics. Three countries that "hitherto had a spotless record of reporting" – Austria, Finland and Sweden – joined the EU at the begining of 1995 and so far only Finland has produced any international trade statistics at all for last year. "It now seems unlikely that the data for the countries of the of the European Union will ever again improve in quality and timeliness to the point it reached before the establishment of the European single market," he suggests.

● The WBMS has also published the latest edition Metallstatistik, one of the metal industry's most important publications but one that seemed unlikely to survive because of the financial troubles of Metallgesellschaft, the previous publisher. But the Bureau has taken over. Metallstatistik, a compendium of annual non-ferrous metal figures, was launched in 1893 by Mr Wilhelm Merton, the founder of Metallgesellschaft. The latest version contains figures for 1984 to 1994 and for the first three quarters of last year. *World Metal Statistics, 12 monthly volumes, £900, DM2,975, or US$1,885, and World Metal Statistics, Quarterly Summary, £500 or $1,000. Metallstatistik, DM625 or US$500, all from WBMS, 27a, High Street, Ware, Herts SG12 9BA, UK.*

UK sugar growers end bad year in good shape

Yields and profits could have been much worse

FARMER'S VIEWPOINT

By David Richardson

As the UK sugar beet processing campaign draws to a close over the next couple of weeks, growers and processors will be looking back on it with a degree of relief. Returns will be below the five-year average, but far from disastrous.

All is not yet over, however. Almost all the crop has now been harvested but 10 or 12 per cent of it is still stored in clamps, or piles, on farms. Some of those roots will have been frozen during the recent cold weather and may be unsuitable for processing. Last week's wind frosts will have penetrated even the best clamp coverings. But damage will be limited to the edges and losses should not be too serious.

They will, however, have to be added to those sustained over Christmas and New Year. The cold spell then resulted in frost losses of around 20,000 tonnes of roots, according to British Sugar, so the final figure will be significantly higher than that. Nevertheless, it is unlikely that the damage will be anywhere near that of 1991, when about 250,000 tonnes of roots were lost. Between 8.5m and 9m tonnes of beet is processed at British Sugar's nine factories each season and if they can handle the remaining 10 per cent satisfactorily over the next few weeks the campaign will be judged a success.

That is not the way it always looked. Most seeds were planted last spring into good soil conditions and germinated evenly, but the drought set in very soon. All through the long hot summer the parched plants struggled to survive. By August some crops on light sandy soils began to look like write-offs and many others appeared to have disastrously poor prospects.

Then, in September, it rained. Sugar-beet crops began to recover and roots grew bigger and heavier. Factory opening was delayed for a couple of weeks to allow the recovery to continue. During October root size increased faster than ever before according to British Sugar's records. By the end of the month they were talking of the possibility that the UK might reach its full European Union 'A' and 'B' quota of 1.144m tonnes of refined sugar after all. That was revised upwards and the forecast now is for a total sugar yield of 1.2 to 1.25m tonnes.

So, by a combination of good luck and good management a reasonable result has been plucked from the jaws of disaster. It has not been without its difficulties at farm level – not least in pushing back the beet harvesting and delivering operations further into the adverse winter weather – hence the snow-covered piles of beet still on farms today.

But it has, unexpectedly, produced a modest quantity of so-called 'C' beet – that is roots that produced unsubsidised sugar in excess of an individual farmers' 'A' and 'B' (EU supported) quotas, which is sold at world prices. British Sugar likes it because it enables it to supply more domestic customers than the 50 per cent its national 'A' and B quota allows. Farmers like it too, especially when, as this year, the world price enables British Sugar to pay them a price that is only a little below the EU level. This year's 'C' sugar beet looks like being worth between £26 and £28 a tonne,adjusted to 16 per cent of sugar content, compared with about £36 per tonne for 'A' and 'B' quota beet.

This moderately happy scene has, however, been disturbed recently by the prospect of a landfill tax. Its origins are last in November's budget and its purpose is to dissuade industry from dumping noxious waste into landfills. This is all very worthy, except that it now appears that the government proposes to tax the disposal of soil from sugar beet factories.

I should, perhaps, explain that farmers and British Sugar try to minimise the amount of soil that arrives at processing plants. Indeed their efforts to improve the cleaning of the roots as they are lifted from the land have been increasingly successful over the years. Inevitably, some still clings to them and this has to be washed off before processing. In spite of the best efforts of the industry, around 1m tonnes of soil has to be disposed of from factories each year.

In years past it was spread back on to land. But when the root disease, rhizomania, or root madness, crossed the channel to British fields a few years ago, the government decreed that soil from beet factories must now be tipped into landfill sites. It is clean soil and an ideal material for topping off such sites when they are full; and this is where much more of it is used.

If the new tax measures were to be applied to this soil the cost to British Sugar would be about £2 a tonne. Doubtless the company would seek to pass some of the cost on to growers. But there would be no environmental benefit whatsoever.

Is this another case of overzealous regulation? Or will good sense and justice prevail? I hear that soil dredged from rivers has been exempted from the tax. Soil whose only sin is that it was once stuck to the roots of sugar beet is surely entitled to be treated in the same way.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1581.5-2.5	1581-2
Previous	1581-2	1580-0.5
High/low	1582.5/1581.5	1585/1557
AM Official	1582.5-3.0	1582.5-3.0
Kerb close		1580-82
Open int.	219,798	
Total daily turnover	29,329	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1330-40	1370-5
Previous	1335-45	1370-80
High/low		1370/1380
AM Official	1335-40	1370-2
Kerb close		1365-75
Open int.	4,880	
Total daily turnover	2,041	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	716.5-7.5	714-5
Previous	720.5-1.5	714-6
High/low	717/716.5	716/710
AM Official	716-6.5	712-3
Kerb close		711-2
Open int.	33,754	
Total daily turnover	5,745	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	7970-80	8060-90
Previous	8060-70	8170-75
High/low		8200/8030
AM Official	8000-1	8100-10
Kerb close		8070-80
Open int.	40,238	
Total daily turnover	10,706	

■ TIN ($ per tonne)

	Cash	3 mths
Close	6170-80	6220-25
Previous	6240-50	6275-80
High/low	6190	6260/6150
AM Official	6185-90	6235-40
Kerb close		6160-65
Open int.	15,169	
Total daily turnover	5,617	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1014-5	1034-5
Previous	1018-9	1038-9
High/low	1014/1011	1037/1028
AM Official	1014.5-15.0	1033-4
Kerb close		1029-30
Open int.	78,219	
Total daily turnover	20,805	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	2504-6	2466-7
Previous	2497-502	2462-3
High/low		2474/2458
AM Official	2500-3	2461-2
Kerb close		2465-4
Open int.	173,938	
Total daily turnover	41,545	

■ LME AM Official £/$ rate: 1.5035
LME Closing £/$ rate: 1.5074

Spot: 1.5098 3 mths: 1.5049 6 mths: 1.5018 9 mths: 1.4984

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	119.10	+1.95	119.30	117.60	490	752
Feb	114.10	-0.45	115.60	114.10	461	1,944
Mar	113.10	+0.20	114.00	112.55	4,428	27,830
Apr	111.80	+0.20	112.50	111.80	187	1,050
May	110.90	+0.10	111.75	110.90	967	6,977
Jun	110.05	+0.05	111.00	111.00	–	727
Total					[illegible]	[illegible]

PRECIOUS METALS

■ LONDON BULLION MARKET

(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	406.00-406.40		
Opening	405.80-406.20		
Morning fix	405.45	269.617	492.095
Afternoon fix	404.50	268.648	489.728
Day's High	406.10-406.50		
Day's Low	404.40-404.80		
Previous close	405.40-405.80		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	3.34	6 months	2.72
2 months	3.20	12 months	2.43
3 months	3.11		

Silver Fix	p/troy oz.	US cts equiv.
Spot	366.30	550.75
3 months	370.90	556.55
6 months	375.55	562.45
1 year	385.35	574.25

Gold Coins	$ price	£ equiv.
Krugerrand	404-407	268-270
Maple Leaf	417.35-419.95	-
New Sovereign	94-97	62-64

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Feb	405.8	–	406.7	404.2	46,033	49,870
Apr	408.8	+0.2	409.7	407.0	26,491	80,886
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

■ CRUDE OIL IPE ($/barrel)

■ HEATING OIL NYMEX (42,000 US galls; c/US galls)

■ GAS OIL IPE ($/tonne)

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu)

■ UNLEADED GASOLINE NYMEX (42,000 US galls.; c/US galls.)

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	124.85	+1.15	124.80	123.75	398	2,286
May	126.85	+1.20	126.50	125.75	371	3,440

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

■ BARLEY LCE (£ per tonne)

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

■ SOYABEAN MEAL CBT (100 tons; $/ton)

■ POTATOES LCE (£/tonne)

■ FREIGHT (BIFFEX) LCE ($10/index point)

Tea

The Tea Broker's Association reports... [illegible]

FUTURES DATA

All futures data supplied by CMS.

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	913	-14	923	912	1,000	24,174
May	926	-16	947	934	1,114	17,398

■ COCOA CSCE (10 tonnes; $/tonnes)

■ COCOA (ICCO) (SDR's/tonne)

■ COFFEE LCE ($/tonne)

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

■ COFFEE (ICO) (US cents/pound)

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

■ WHITE SUGAR LCE ($/tonne)

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

■ COTTON NYCE (50,000lbs; cents/lbs)

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

VOLUME DATA

Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME and CSCE are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

■ CRB Futures (Base: 1967=100)

■ GSCI Spot (Base: 1970=100)

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Feb	63.875	+0.825	64.000	62.800	3,398	20,055
Apr	63.800	+0.800	63.850	62.725	8,135	20,324

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	47.825	+0.075	47.950	47.500	353	3,155
Oct	43.700	-0.150	44.050	43.600	281	1,751
Total					[illegible]	[illegible]

■ PORK BELLIES CME (40,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Vol	Open int
Feb	57.375	+0.775	57.950	55.850	2,168	3,044
Mar	56.975	+0.675	57.500	56.300	785	1,739
May	57.250	+0.600	57.800	56.700	318	1,234
Jul	57.150	+0.375	57.250	56.200	220	809
Aug	54.150	+0.250	54.500	53.900	27	248
Total					3,498	7,174

LONDON TRADED OPTIONS

Strike price $ tonne	Calls		Puts	
■ ALUMINIUM (99.7%) LME	Feb	Apr	Feb	Apr
1500	43	82	5	26
1600	2	32	64	75
1700	-	9	-	151
■ COPPER (Grade A) LME	Feb	Apr	Feb	Apr
2400	115	129	[illegible]	47
2500	[illegible]	75	26	92
2600	6	39	93	155
■ COFFEE LCE	Mar	May	Mar	May
N/A	-	-	-	-
N/A	-	-	-	-
N/A	-	-	-	-
■ COCOA LCE	Mar	May	Mar	May
N/A	-	-	-	-
N/A	-	-	-	-
N/A	-	-	-	-
■ BRENT CRUDE IPE	Mar	Apr	Mar	Apr
1650	16	43	58	-
1700	8	25	90	-
1750	6	13	-	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Mar) +or-

Dubai	$15.20-5.28w	-0.37
Brent Blend (dated)	$16.13-6.15	-0.82
Brent Blend (Mar)	$16.01-6.03	-0.44
W.T.I.	$17.17-7.19w	-0.475

■ OIL PRODUCTS NWEprompt delivery CIF (tonne)

Premium Gasoline	$172-174	
Gas Oil	$160-161	
Heavy Fuel Oil	$93-95	
Naphtha	$165-169	
Jet fuel	$179-181	-1
Diesel	$165-167	

Petroleum Argus. Tel. London (0171) 359 8792

■ OTHER

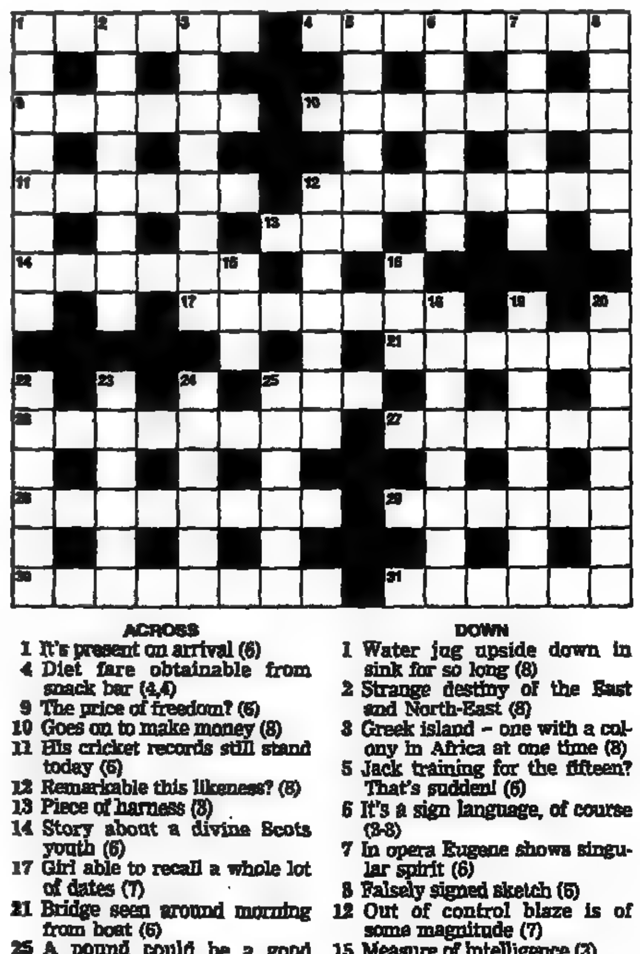
Gold (per troy oz)♣	$408.20	+0.8
Silver (per troy oz)♣	553.5c	-1.0
Platinum (per troy oz.)	$414.25	-7.75
Palladium (per troy oz.)	$126.75	-1.6
Copper	119.0c	
Lead (US prod.)	41.75c	
Tin (Kuala Lumpur)	15.76m	-0.05
Tin (New York)	294.5c	
Cattle (live weight)†	110.60p	+2.71*
Sheep (live weight)†♠	180.32p	+6.28*
Pigs (live weight)†	108.94p	+7.72*
Lon. day sugar (raw)	$328.5	+10.4
Lon. day sugar (wte)	$384.0	+8.0
Barley (Eng. feed)	121.5u	+2.5
Maize (US No3 Yellow)	150.5z	
Wheat (US Dark North)	Unq	
Rubber (Feb)♥	104.00p	-0.75
Rubber (Mar)♥	104.00p	-0.75
Rubber (KL RSS No1)	367.0m	-0.50
Coconut Oil (Phil)§	$740.0y	
Palm Oil (Malay.)§	$522.5y	-2.5
Copra (Phil)§	478.0	
Soyabeans (US)	210.0	
Cotton Outlook'A' index	87.65	
Wooltops (64s Super)	450p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. z Jan. u Feb.♥ w Mar. y Feb/Mar. x Oct/Dec London Physical. § CIF Rotterdam. ♣ Bullion market close. ♠ Sheep (Live weight prices). * Change on week † Prices are for previous day.

JOTTER PAD

CROSSWORD

No.8,980 Set by DANTE



ACROSS

1 It's present on arrival (6)
4 Diet fare obtainable from snack bar (4,4)
9 The price of freedom? (6)
10 Goes on to make money (8)
11 His cricket records still stand today (6)
12 Remarkable this likeness? (8)
13 Piece of harness (8)
14 Story about a divine Scots youth (6)
17 Girl able to recall a whole lot of dates (7)
21 Bridge seen around morning from boat (6)
25 A pound could be a good investment (3)
26 Get less iron (8)
27 Constantly breaking the law, say (6)
28 We get odd treatment that can damage the user (3-5)
29 Hope is dashed for her (6)
30 Firm produces our steel in a new way (8)
31 Jewellery collection for the rich and fashionable (3,3)

DOWN

1 Water jug upside down in sink for so long (8)
2 Strange destiny of the East and North-East (8)
3 Greek island – one with a colony in Africa at one time (8)
5 Jack training for the fifteen? That's sudden! (6)
6 It's a sign language, of course (3-3)
7 In opera Eugene shows singular spirit (6)
8 Falsely signed sketch (6)
12 Out of control blaze is of some magnitude (7)
15 Measure of intelligence (3)
16 Father's in step (3)
18 A poet may rely upon visit that is about work (8)
19 Spends a lot of money on bright patches of colour (8)
20 Sat in awe, troubled and agitated (2,1,5)
22 He's in charge but has a leader (6)
23 A vote to the other side (6)
24 This system worked in medieval times (6)
25 Nod when told to go (6)

Solution to Saturday's prize puzzle on Saturday February 10.
Solution to yesterday's prize puzzle on Monday February 12.

INTERNATIONAL CAPITAL MARKETS

Focus on political risk hits European prices

By Martin Brice and Antonia Sharpe in London and Lisa Bransten in New York

European government bond prices fell yesterday as markets began an uncertain week that will be dominated by the possibility of interest rate cuts in the US and Germany.

Attention will be focused on the Federal Open Markets Committee in the US today, the possibility of an easing following the Bundesbank council meeting on Thursday, and the release of non-farm payroll figures in the US on Friday.

Ms Julie Chakraverty, fixed-income strategist at UBS said: "We certainly feel that risks are growing. Attention is focusing more closely on the risk premium in the markets at the moment.

"Supply will be heavy and investors are worried that the favourable political momentum behind European monetary union seems to have stalled for the moment. Political uncertainty is likely to weigh on markets and we recommend defensive strategies on a one to two-week view."

Ms Marl Bloem, bond strategist at Paribas Capital Markets in Paris, said: "The fears of a delay to the timetable for Emu is a theme that the bond markets have settled on.

"In the medium term we are positive on core European markets but the big question-mark is on the US budget deal. We are a bit wary of high-yielding markets as speculation on the Emu timetable starts to mount. There may be a considerable flight to quality."

■ German government bonds were unsettled by diminished hopes for a cut in the repo rate after money supply figures came in larger than expected. Concerns over a delay to Emu were also said to have worried investors, and heavy short selling drove the March bund futures contract on Liffe through its support level of 100.50 and it closed at 100.05, down 0.24. Traders say the future could today test the support level of 99.84.

The yield on benchmark two-year paper rose by 9 basis points to 4.10 per cent, and that on 10-year paper by 4 points. The yield spread of 10-year bunds over Treasuries rose from 9 to 14 basis points.

■ French government bonds were also affected by worries over the pace of Emu, and on Matif the March 10-year future settled at 122.34, down 0.12 while March Pibor fell 0.04 to 95.23. News that the government would announce its economic stimulus measures at 4pm today came too late to affect trading.

GOVERNMENT BONDS

In the cash market the yield on two-year paper rose 4 basis points while on 10-year bonds it rose 2 points. The spread over 10-year bunds shifted from 52 to 53 basis points.

Mr Iain Lindsay of Crédit Lyonnais in Paris, said: "There are relatively strong levels of buying from insurance companies that seem to have quite sizeable inflows from policies they are writing, and are buying in the eight to 12-year area. That area of the curve seems to be holding up quite well against bunds."

■ UK government bonds opened stronger but in thin trading, and followed bunds down. A trader said: "We went down ¾ of a point without touching the sides." On Liffe the March long gilt future closed at 110.22, down ¼, and a support level of 109.29 may be tested today. The 10-year yield spread over Germany moved from 170 to 169 basis points.

Analysts say the auction on Wednesday of the 8 per cent gilt due 2000 should go well, as the five-year area of the curve is looking relatively cheap.

■ Swedish government bonds outperformed bunds, despite the krona falling through SKr4.70 against the D-Mark, as hopes rose for a cut in Swedish interest rates. A survey of retailers suggested a benign outlook for inflation, which is expected to be 2.3 per cent in 1996 and 2.5 per cent in 1997.

The yield spread over Germany on Swedish 10-year bonds moved in from 261 to 251 basis points. Mr Ian Stewart, head of research at Enskilda, said: "From an economic point of view a rate cut is justifiable but given the position the central bank has adopted, it seems unlikely, although it is a close call."

■ Italian and Spanish government bonds were range-bound yesterday due to an absence of fresh developments on the domestic front. As a result, the 10-year spread of the two markets over Germany remained unchanged from Friday at 452 basis points for Italy and 377 points for Spain.

Mr Michael Dell, bond analyst at UBS in London, said he expected Italian bonds to stay at current levels until there was clarification of the political situation. There were conflicting signals at the weekend about the timing of a general election.

Even this week's auctions totalling about L13,000bn are unlikely to have much impact on the market because the outflow of funds will be countered by a similar inflow from coupon and redemption payments.

In Spain, where the market has already discounted the forthcoming general election, investors took stock after the sell-off last Thursday and Friday. There will not be any fresh supply of bonds this week because of a change in the timing of the monthly auctions. The auction will be held next week instead.

■ US Treasury prices were lower in thin trading early yesterday as traders awaited the Federal Reserve's two-day Open Market Committee meeting set to begin today.

Near midday, the benchmark 30-year Treasury was ½ lower at 110$\frac{3}{32}$ to yield 6.078 per cent, while at the short end of the maturity spectrum the two-year note was $\frac{2}{32}$ lower at 99$\frac{29}{32}$, yielding 5.083 per cent.

There were no official releases of data but rising commodity prices caused some fluctuation in the market.

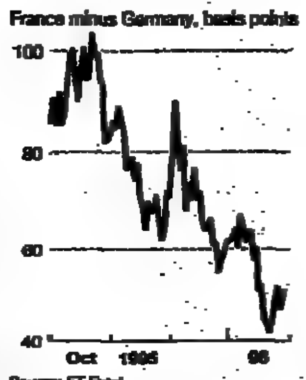
More important yesterday was the pre-FOMC positioning by traders. There is still a great deal of uncertainty about whether the Fed will cut interest rates this week, especially since the flow of economic data has been slowed by the wrangling over the federal budget that led to the partial shutdown of the government in December and early this month.

The dollar was lower against the D-Mark, while modestly higher against the yen. In early trading the US currency was changing hands at DM1.4842 and Y106.76 compared with DM1.4915 and Y106.70 late on Friday.

A weaker dollar can put pressure on Treasuries by discouraging international investors from holding dollar-denominated securities.

10-yr bond yield spread

France minus Germany, basis points



Source: FT Extel

Arrangers chosen for state sale of CBA stake

By Nikki Tait in Sydney

CS First Boston, County NatWest, the Australian arm of NatWest Markets, Salomon Brothers and J.B. Were, the Australian stockbroking firm, have been chosen to arrange the sale of the federal government's remaining stake in Commonwealth Bank of Australia.

The sale of the government's 50.4 per cent stake in the bank – one of Australia's four "national" banks – is likely to raise around A$4.5bn in total.

No details of the form of the sale or of its likely pricing have been announced. However, if it is undertaken in a single tranche, as is widely expected, it will be the largest single privatisation the Australian stock market has been asked to digest.

The fact that three of the four joint lead managers are foreign banks suggests that a significant proportion of the stock may be destined for international investors.

The sale will not take place until after the federal election, which is scheduled for March 2. However, the outcome is unlikely to make much difference to CBA's fate, with both Labor and the coalition opposition expected to pursue the sell-down of the government's remaining stake. Bankers believe, therefore, that the offering could emerge in the second quarter of this year.

CBA has indicated that it may consider buying back around A$1bn-worth of its shares in conjunction with the government's disposal of its stake.

Again, no details have been disclosed, but a statement from Mr Kim Beazley, the federal finance minister, said discussions with CBA on the terms for this were still in train.

Mexico sets an acid test of institutional demand

By Conner Middelmann

A busy day in the eurobond market saw the long-awaited launch of Mexico's global dollar offering as well as the first straight D-Mark bond for the European Bank for Reconstruction and Development.

The United States of Mexico launched $1bn of five-year bonds – the country's first fixed-rate international dollar offering since March 1993. The issue is seen as an acid test of institutional demand for Mexican government eurobonds following last year's peso devaluation, which sparked a heavy sell-off in Mexican securities.

The bonds will be priced today at a spread of 445 to 450 basis points over US Treasuries. Merrill Lynch and JP Morgan are joint book-runners.

The EBRD's D-Mark debut attracted much attention and mixed comment. The bonds are to be priced today at 27 basis points over bunds; some argued that the EBRD should pay a premium over the European Investment Bank's recent five-year issue, which yesterday traded at 27 over bunds, but others said the pricing was justified by the EBRD's rarity appeal in the mainstream sectors of the eurobond market.

Some warned that the poor performance of many recent five-year D-Mark offerings was making many investors reluctant to take the plunge.

INTERNATIONAL BONDS

"Most are waiting to see what the response will be in Japan," said one Frankfurt dealer. Having executed several Far East-targeted transactions over the last year, the EBRD is a familiar name there. Unusually, no German bank featured at the top of the syndicate, with BZW and Nomura acting as joint book-runners.

Japan Development Bank made a successful comeback to the sterling sector with £200m of seven-year bonds maturing on the same day as the underlying gilt over which they offered a 20 basis point yield premium.

The pricing was based on advance consultations with investors, and this ensured a warm reception, especially from UK institutions, which bought about 50 per cent of the deal, said joint book-runners HSBC and SBC Warburg.

● Germany's Federal Banking Supervisory Office has lowered the BIS risk-weighting on bonds and notes issued by the Kreditanstalt für Wiederaufbau, a frequent borrower in the eurobond market, to zero from 20 per cent.

The move, which effectively puts KfW's debt on a par with German government debt, should boost the popularity of the reconstruction agency's bonds, especially if other European central banks accord it the same status.

KfW has been absent from the eurobond market so far this year and the re-weighting has rekindled talk of a 10-year D-Mark offering, although some dealers said a domestic bond might be more likely.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
United Mexican States	1bn	(a)#	(a)R	Feb 2001	0.75R	(a)(6¼%-01)	Merrill Lynch/JP Morgan
Hellenic Republic‡	210	(b)	100.09R	Feb 1999	0.20R	-	CS First Boston
CCDO(c)‡	150	(c1)	100.00R	Mar 2001	0.1875R	-	Citibank International
World Bank‡	100	4.40	100.50	Feb 1997	0.25	-	Nomura International
Merrill Lynch & Co(d)‡	100	(d1)	99.75R	Feb 2000	0.25R	-	Merrill Lynch International
D-MARKS							
EBRD	1b	(e)	(e)R	Feb 2001	0.25R	+27(5¾%-00)	BZW/Nomura Bank (Deutsch)
Spintab‡	400	(f)	99.925R	May 2001	0.175R	-	CSFB-Effectenbank
GZB‡	300	(g)	99.87	Feb 2006	0.20	-	DG Bank
CLF Hypo Berlin(h)‡	200	(h1)	100.13	Feb 2001	0.20	-	Baden-Württembergische Bk
STERLING							
Japan Development Bank(s)	200	7.375	99.305R	Jun 2003	0.30R	+20(8%-03)	HSBC Markets/SBC Warburg
FRENCH FRANCS							
Bayerische Landesbank‡	1bn	(i)	99.85R	Mar 2006	0.325R	-	Société Générale
ECUS							
Kredietbank Intl Finance(k)	45	(k1)	102.00	Feb 2006	2.00	-	Kredietbank Intl Group
AUSTRALIAN DOLLARS							
PepsiCo	100	7.109	100.00	Feb 2000	1.20	-	IBJ International
CANADIAN DOLLARS							
Rabobank International(s)	100	6.375	99.275R	Dec 2001	0.25R	-3(7¼%-01)	ScotiaMcLeod

Final terms, non-callable unless stated. Yield spread (over govt bond) at launch supplied by lead manager. #Unlisted. ‡ Floating-rate note. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) Priced today at 445-450bp over Treasuries. b) 3-mth Libor +40bp. c) Callable on coupon dates from Mar.99 at par. c1) 3-mth Libor +10bp. d) Fungible with $100m. No accrued. d1) 3-mth Libor +20bp. e) Priced today. f) 3-mth Libor +10bp. g) 6-mth Libor +12½bp. h) Oeffentliche Pfandbrief. h1) 6-mth Libor flat. i) TME -1.05%. k) Ecu55m launched 5/1/96 increased to Ecu100m. k1) 6% for 3 yrs, 7% for yrs 4-6 and 8% thereafter. s) Short first coupon.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		10.000	02/06	112.8200	-0.670	8.11	8.10	8.38
Austria		6.500	11/05	102.0500	-0.050	6.21	6.15	6.42
Belgium		6.500	03/05	100.7000	-0.270	6.39	6.30	6.67
Canada *		8.750	12/05	111.3200	+0.260	7.13	7.02	7.30
Denmark		8.000	03/06	106.0200	-0.380	7.14	6.93	7.26
France	BTAN	7.000	10/00	106.0000	-0.250	5.50	5.38	5.81
	OAT	7.250	03/05	103.5500	-0.300	6.44	6.31	6.67
Germany Bund		6.000	01/06	100.4000	-0.410	5.94	5.83	6.02
Ireland		8.000	08/06	104.5500	-0.250	7.35	7.26	7.38
Italy		10.500	09/05	101.9700	-0.080	10.17†	9.97	10.55
Japan	No 129	6.400	03/00	117.9060	-0.010	1.74	1.75	1.34
	No 174	4.600	09/04	111.4360	+0.110	2.94	2.96	2.83
Netherlands		6.000	01/06	100.3600	-0.440	5.95	5.81	6.05
Portugal		11.875	02/05	113.3500	-1.060	9.60	9.19	9.91
Spain		10.150	01/06	102.3800	+0.310	9.74	9.35	9.83
Sweden		6.000	02/05	84.9620	+0.340	8.45	8.23	8.60
UK Gilts		8.000	12/00	104-28	-7/32	6.79	6.65	6.73
		8.500	12/05	107-02	-7/32	7.47	7.32	7.38
		9.000	10/08	110-30	-10/32	7.64	7.48	7.55
US Treasury *		5.875	11/05	101-17	+3/32	5.67	5.57	5.74
		6.875	08/25	111-00	+18/32	6.07	6.01	6.08
ECU (French Govt)		7.500	04/05	104.1800	-0.380	6.87	6.86	6.97

London closing. *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
Prime rate	8½	One month	5.33	Two year	5.07
Broker loan rate	7¼	Two month	5.27	Three year	5.16
Fed.funds	5⅜	Three month	5.09	Five year	5.34
Fed.funds at intervention	-	Six month	5.10	10-year	5.64
		One year	5.03	30-year	6.05

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	122.50	122.34	-0.12	122.80	122.16	110,445	136,151
Jun	122.96	122.66	-0.12	122.96	122.74	217	13,034
Sep	121.76	121.66	-0.12	121.76	121.64	45	2,065

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	PUTS Mar	PUTS Jun	PUTS Sep
120	-	-	-	0.17	-	-
121	1.70	-	-	0.37	-	1.62
122	1.03	-	-	0.64	-	-
123	0.50	1.62	-	0.64	-	2.86
124	0.23	1.15	-	-	-	-

Est. vol. total, Calls 19,664 Puts 20,667. Previous day's open int. Calls 177,267 Puts 157,170.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	100.72	100.06	-0.39	100.72	99.85	195033	238222
Jun	99.56	99.32	-0.39	99.55	99.14	70	10512

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	CALLS Mar	CALLS Apr	CALLS May	CALLS Jun	PUTS Mar	PUTS Apr	PUTS May	PUTS Jun
10000	0.67	0.88	0.80	0.88	0.61	1.26	1.48	1.66
10050	0.42	0.40	0.60	0.73	0.86	1.58	1.78	1.96
10100	0.25	0.27	0.45	0.61	1.19	1.96	2.13	2.29

Est. vol. total, Calls [illegible] Puts [illegible]. Previous day's open int. Calls [illegible] Puts [illegible]

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	111.15	110.82	-0.60	111.32	110.20	48303	62866
Jun	110.20	110.07	-0.51	110.20	109.84	92	2607

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	CALLS Mar	CALLS Jun	PUTS Mar	PUTS Jun
11050	1.17	2.20	1.15	2.63
11100	0.91	1.96	1.39	2.89
11150	0.70	1.76	1.68	3.18

Est. vol. total, Calls [illegible] Puts [illegible]. Previous day's open int. Calls [illegible] Puts [illegible]

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	96.15	95.50	-0.47	96.15	95.14	112,080	82,843

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	110-31	110-17	-0-09	111-04	110-07	82464	142726
Jun	110-02	109-26	-0-09	110-02	110-02	8	1345

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	CALLS Mar	CALLS Apr	CALLS May	CALLS Jun	PUTS Mar	PUTS Apr	PUTS May	PUTS Jun
110	1-14	1-15	1-36	1-57	0-44	1-27	1-60	2-05
111	0-45	0-62	1-09	1-27	1-11	2-01	2-21	2-39
112	0-22	0-38	0-51	1-03	1-52	2-40	2-62	3-14

Est. vol. total, Calls [illegible] Puts [illegible]. Previous day's open int. Calls [illegible] Puts [illegible]

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	91.40	91.04	-0.36	91.40	90.98	1,826	8,716

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Mar	120-14	120-13	-0-04	120-27	120-02	478,843	337,407
Jun	120-08	119-30	-0-05	120-12	119-22	2,520	25,579
Sep	119-00	119-13	-0-05	119-13	117-25	111	6,095

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol.	Open int.
Mar	120.20			120.30	120.18	1632	0
Jun	118.75			118.76	118.72	209	0

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price indices UK Gilts	Mon Jan 29	Day's change %	Fri Jan 26	Accrued interest	xd adj. ytd
1 Up to 5 years (22)	122.90	-0.03	122.94	2.77	0.12
2 5-15 years (21)	151.16	-0.15	151.39	2.83	0.00
3 Over 15 years (9)	166.87	-0.26	167.31	2.60	1.02
4 Irredeemables (6)	192.22	-0.04	192.27	2.40	0.00
5 All stocks (57)	145.70	-0.13	145.90	2.81	0.21

Index-linked	Mon Jan 29	Day's change %	Fri Jan 26	Accrued interest	xd adj. ytd
6 Up to 5 years (1)	198.26	+0.01	198.21	2.90	0.00
7 Over 5 years (11)	189.26	-0.10	189.46	1.20	0.00
8 All stocks (12)	189.33	-0.10	189.53	1.23	0.00

Yield columns (Low coupon yield, Medium coupon yield, High coupon yield; Inflation rates): [illegible]

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

[illegible]

GILT EDGED ACTIVITY INDICES

[illegible]

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on January 29

Tables of US dollar straights, Swiss franc straights, Yen straights, Deutsche Mark straights, other straights, floating rate notes and convertible bonds: [illegible]

UK GILTS PRICES

Tables of Shorts (Lives up to Five Years), Five to Fifteen Years, Over Fifteen Years, Undated, Index-Linked and Other Fixed Interest: [illegible]

CURRENCIES AND MONEY

MARKETS REPORT

D-Mark rises against dollar ahead of FOMC

By Graham Bowley

The D-Mark regained ground against the dollar yesterday but failed to make further headway against most other European currencies despite continuing tensions over monetary union.

A sell-off in the German government bond market over the proposed cut in Germany's solidarity tax held the D-Mark back in Europe.

But the currency nevertheless made strong gains against the Swiss franc, which fell sharply due to options-related selling on expectations that European monetary union (Emu) might be delayed.

The dollar held firm against the Japanese yen despite some speculation that US interest rates might be cut at the FOMC meeting which begins today. As a result, the D-Mark made some gains against the yen.

The dollar finished lower against the D-mark at DM1.4859 from DM1.4912. It closed at Y106.6 against the yen, from Y106.675.

Sterling had a quiet day, with little fresh news to give it direction. Against the D-Mark, the pound finished slightly lower at DM2.2405, from DM2.2412. But it was stronger against the dollar at $1.5079 from $1.503. Sterling's trade-weighted exchange rate index closed higher at 83.2 from 83.1 at the previous close.

■ The D-Mark was the main beneficiary last week from the growing expectation that Emu might be delayed.

■ Pound in New York

Jan 29	Latest	Prev. close
£ spot	1.5070	1.5025
1 mth	1.5060	1.5015
3 mth	1.5041	1.4996
1 yr	1.4938	1.4898

But despite further speculation yesterday that the timetable for the single currency could be pushed back, European currencies held firm against the D-Mark.

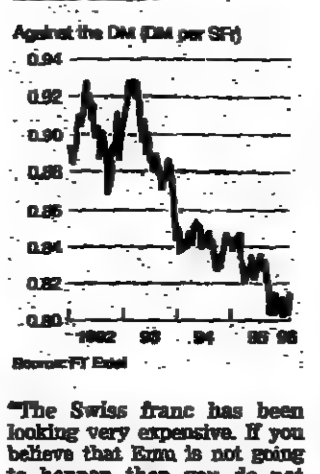
"The market is reluctant to get really negative about peripheral European currencies when German interest rates are on a downward trend and the German authorities themselves are calling for a stronger dollar," said Mr Kit Juckes, currency strategist at NatWest Markets in London.

Mr Malcolm Barr, currency analyst at Chemical Bank, said: "Most participants in the market believe that Emu will be delayed but what this expectation implies for the market is still an open issue."

Nervousness about monetary union did however undermine the Swiss franc yesterday as investment flows which last year fled to Switzerland on the back of fears that Emu would take place soon began to return to the D-Mark on the expectation that it might now be delayed.

Ms Bronwyn Curtis, chief currency strategist at Deutsche Morgan Grenfell, said:

Swiss franc



Source: FT Extel

"The Swiss franc has been looking very expensive. If you believe that Emu is not going to happen then you do not need to be in the Swiss franc."

Ms Curtis said that if the D-Mark broke through the key DM1.4830 level against the dollar, then it would probably rally further to test the DM1.4750 level.

Mr David Bloom, an economist at James Capel in London, said that he believes the D-Mark would find support throughout this year from money returning from the Swiss franc as well as from further cuts in US interest rates.

"A lot of people have concentrated too much on German economic weakness but there are likely to be more cuts in interest rates in the US than in Germany," he said.

At the same time, Mr Bloom thinks the dollar is likely to remain supported against the yen. He doubts that the Japanese authorities would be prepared to allow the dollar to weaken beyond a range of around Y115 to Y120 in a US election year.

■ The French franc ended firm against the D-Mark despite further worries about the political situation in France.

"Threats by the public sector unions to step up industrial action are also likely to cause currency speculators to step up their activities to test the authorities' commitment to a strong franc," said Mr Ken Wattret, international economist at HSBC Markets.

Against the D-Mark, the lira closed at L1,077, while the French franc finished at FFr3.438.

Mr Wattret said that the proposed cuts in Germany's solidarity tax, which was introduced to help cover the cost of German unification, would add around DM3bn to Germany's budget deficit. "This will not make a big impact on the deficit but it adds to the general feeling of uneasiness about whether countries will be able to reduce their deficits to meet the criteria for monetary union," said Mr Wattret.

■ OTHER CURRENCIES

Jan 29	£	$
Czech Rp	41.0311 - 41.0680	27.2180 - 27.2230
Hungary	214.020 - 214.309	141.970 - 142.020
Iran	[illegible]	[illegible]
Kuwait	0.4519 - 0.4529	0.2998 - 0.3000
Poland	3.8081 - 3.8447	2.5480 - 2.5490
Russia	7117.28 - 7128.01	4720.00 - 4725.00
U.A.E.	5.5389 - 5.5400	3.6725 - 3.6730

POUND SPOT FORWARD AGAINST THE POUND

Jan 29		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	15.7561	-0.0045	478 - 623	15.7822	15.7285	15.7116	3.3	15.6676	2.2	-	-	105.3
Belgium	(BFr)	46.0513	-0.0209	315 - 710	46.1740	46.0050	45.9463	2.7	45.7413	2.7	44.9013	2.5	108.5
Denmark	(DKr)	8.6735	+0.0089	689 - 780	8.6816	8.6583	8.6602	1.8	8.6361	1.7	8.5368	1.6	109.4
Finland	(FM)	6.8663	+0.0181	588 - 738	6.9010	6.8440	6.8619	0.8	6.8538	0.7	-	-	85.7
France	(FFr)	7.7001	+0.0044	965 - 036	7.7265	7.6903	7.6895	1.6	7.6716	1.5	7.5877	1.3	108.6
Germany	(DM)	2.2405	-0.0007	395 - 415	2.2453	2.2354	2.2357	2.5	2.2265	2.7	2.1826	2.6	110.7
Greece	(Dr)	371.426	+0.55	011 - 841	371.961	368.949	-	-	-	-	-	-	66.3
Ireland	(I£)	0.9648	+0.0005	639 - 656	0.9662	0.9633	0.9639	1.1	0.9625	0.9	0.9586	0.6	97.9
Italy	(L)	2413.17	+3.21	200 - 434	2421.32	2403.62	2420.32	-3.6	2435.07	-3.6	2494.22	-3.4	72.8
Luxembourg	(LFr)	46.0513	-0.0209	315 - 710	46.1740	46.0050	45.9463	2.7	45.7413	2.7	44.9013	2.5	108.5
Netherlands	(Fl)	2.5102	-0.0001	086 - 118	2.5151	2.5055	2.504	3.0	2.4913	3.0	[illegible]	2.8	108.6
Norway	(NKr)	9.8181	+0.0038	[illegible]	9.8455	9.7806	9.808	1.2	9.7865	1.3	9.7058	1.1	98.8
Portugal	(Es)	233.129	-0.129	984 - 274	233.809	232.718	233.554	-2.2	234.459	-2.3	-	-	95.4
Spain	(Pta)	189.935	-0.151	840 - 031	190.348	189.686	190.345	-2.6	191.21	-2.7	194.686	-2.5	81.7
Sweden	(SKr)	10.5371	+0.0814	273 - 469	10.5761	10.4508	10.5391	-0.2	10.5425	-0.2	10.5558	-0.2	85.1
Switzerland	(SFr)	1.8236	+0.0112	225 - 250	1.8274	1.8183	1.8175	4.1	1.8045	4.2	1.7515	4.0	114.1
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	83.2
Ecu	-	1.2262	+0.0016	255 - 269	1.2295	1.2243	1.2248	1.4	1.222	1.4	1.2104	1.3	-
SDR†	-	1.036870	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5077	+0.0054	072 - 081	1.5083	1.5015	-	-	-	-	-	-	-
Brazil	(R$)	1.4754	+0.0053	748 - 760	1.4765	1.4686	-	-	-	-	-	-	-
Canada	(C$)	2.0803	+0.0042	793 - 812	2.0815	2.0720	2.079	0.7	2.0765	0.7	2.0687	0.6	83.4
Mexico	(New Peso)	11.1419	-0.0175	314 - 524	11.1632	11.1091	-	-	-	-	-	-	-
USA	($)	1.5079	+0.0049	075 - 083	1.5085	1.5015	1.5069	0.8	1.505	0.8	1.4952	0.8	96.6
Pacific/Middle East/Africa													
Australia	(A$)	2.0379	+0.0043	366 - 391	2.0440	2.0270	2.0397	-1.1	2.0436	-1.1	2.0643	-1.3	87.1
Hong Kong	(HK$)	11.6614	+0.041	575 - 652	11.6655	11.6111	11.6565	0.6	11.6462	0.5	11.6117	0.4	-
India	(Rs)	54.2018	+0.1403	193 - 837	54.2840	53.9680	-	-	-	-	-	-	-
Israel	(Shk)	4.7367	+0.0028	319 - 415	4.7415	4.7210	-	-	-	-	-	-	-
Japan	(Y)	160.742	+0.415	624 - 860	160.910	160.090	159.997	5.6	158.487	5.6	152.442	5.2	137.1
Malaysia	(M$)	3.8580	+0.0187	582 - 597	3.8600	3.8353	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.2572	+0.0006	564 - 589	2.2602	2.2511	2.2606	-1.8	2.2691	-2.1	2.3016	-2.0	105.8
Philippines	(Peso)	39.4855	+0.1258	362 - 948	39.4950	39.4360	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.6554	+0.0186	536 - 572	5.6575	5.6317	-	-	-	-	-	-	-
Singapore	(S$)	2.1390	+0.0093	376 - 403	2.1405	2.1296	-	-	-	-	-	-	-
South Africa	(R)	5.5103	+0.0155	077 - 128	5.5135	5.4925	-	-	-	-	-	-	-
South Korea	(Won)	1181.08	+0.42	087 - 145	1181.86	1176.57	-	-	-	-	-	-	-
Taiwan	(T$)	41.4462	+0.1842	291 - 632	41.4640	41.2357	-	-	-	-	-	-	-
Thailand	(Bt)	38.2102	+0.1254	850 - 354	38.2360	38.0600	-	-	-	-	-	-	-

† Rates for Jan 26 Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Jan 29		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan index
Europe													
Austria	(Sch)	10.4484	-0.0374	463 - 504	10.4975	10.4460	10.4329	1.8	10.4009	1.8	10.2784	1.6	108.1
Belgium	(BFr)	30.5400	-0.1145	350 - 450	30.8820	30.5300	30.486	2.0	30.3875	2.0	30.025	1.7	108.0
Denmark	(DKr)	5.7520	-0.013	505 - 535	5.7745	5.7500	5.747	1.0	5.7375	1.0	5.7595	-0.1	108.5
Finland	(FM)	4.5536	[illegible]	[illegible] - 573	4.5862	4.5490	4.5486	1.3	4.5399	1.2	4.5111	0.9	85.0
France	(FFr)	5.1065	-0.0139	055 - 075	5.1355	5.1035	5.1024	1.0	5.0968	0.8	5.078	0.6	108.9
Germany	(DM)	1.4859	-0.0053	856 - 861	1.4930	1.4855	1.4837	1.8	1.4788	1.9	1.4598	1.7	109.5
Greece	(Dr)	246.320	-0.445	110 - 530	247.210	245.410	[illegible]	[illegible]	251.245	-8.0	266.07	-8.0	65.3
Ireland	(I£)	1.5630	+0.0044	620 - 640	1.5645	1.5570	1.5635	-0.3	1.5639	-0.2	1.56	0.2	-
Italy	(L)	1600.35	-2.74	000 - 070	1608.00	1597.90	1607.2	-5.1	1619.25	-4.7	1677.35	-4.8	72.4
Luxembourg	(LFr)	30.5400	-0.1145	350 - 450	30.8820	30.5300	30.486	2.0	30.4	1.8	30.095	1.5	108.0
Netherlands	(Fl)	1.6647	-0.0065	642 - 652	1.6713	1.6639	1.6617	2.2	1.6552	2.3	1.6321	2.0	107.8
Norway	(NKr)	6.5111	-0.0108	075 - 148	6.5445	6.5010	6.5089	0.4	6.5006	0.6	6.4836	0.4	97.7
Portugal	(Es)	154.605	-0.595	530 - 680	155.310	154.530	154.98	-2.9	155.75	-3.0	159.355	-3.1	95.2
Spain	(Pta)	125.960	-0.515	930 - 990	126.650	125.930	126.355	-3.6	127.09	-3.6	130.58	-3.7	81.1
Sweden	(SKr)	6.9880	+0.0312	833 - 986	7.0412	6.9300	7.0051	-2.9	7.0345	-2.7	7.172	-2.6	84.9
Switzerland	(SFr)	1.2095	+0.0085	090 - 100	1.2157	1.2076	1.2081	3.4	1.1989	3.5	1.1714	3.2	113.9
UK	(£)	1.5079	+0.0049	075 - 083	1.5085	1.5015	1.5069	0.8	1.505	0.8	1.4952	0.8	82.5
Ecu	-	1.2298	+0.0024	294 - 301	1.2302	1.2244	1.2301	-0.3	1.2305	-0.2	1.2311	-0.1	-
SDR†	-	0.68787	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9999	+0.0003	998 - 999	0.9999	0.9998	-	-	-	-	-	-	-
Brazil	(R$)	0.9785	+0.0003	783 - 786	0.9787	0.9783	-	-	-	-	-	-	-
Canada	(C$)	1.3796	-0.0018	793 - 798	1.3825	1.3785	1.3798	-0.1	1.3799	-0.1	1.3849	-0.4	82.6
Mexico	(New Peso)	7.3890	[illegible]	840 - 940	7.3940	7.3840	7.3915	-0.4	7.3944	-0.3	7.3993	-0.1	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	97.7
Pacific/Middle East/Africa													
Australia	(A$)	1.3514	-0.0016	510 - 519	1.3565	1.3500	1.3534	-1.8	1.3569	-1.6	1.3756	-1.8	88.1
Hong Kong	(HK$)	7.7336	+0.0018	330 - 340	7.7345	7.7325	7.7342	-0.1	7.736	-0.1	7.763	-0.4	-
India	(Rs)	35.9450	[illegible]	000 - 900	35.9950	35.9000	36.095	-5.0	36.4	-5.1	37.87	-5.4	-
Israel	(Shk)	3.1413	-0.0084	389 - 436	3.1530	3.1389	-	-	-	-	-	-	-
Japan	(Y)	106.600	-0.075	350 - 650	107.050	106.450	106.115	5.5	105.26	5.0	101.945	4.4	137.9
Malaysia	(M$)	2.5585	+0.004	580 - 590	2.5595	2.5535	2.5594	-0.4	2.5655	-1.1	2.589	-1.2	-
New Zealand	(NZ$)	1.4968	-0.0045	961 - 977	1.4992	1.4955	1.4999	-2.5	1.5057	-2.4	1.5303	-2.2	-
Philippines	(Peso)	26.1725	-0.0025	600 - 850	26.1850	26.1600	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7505	-	503 - 507	3.7508	3.7503	3.751	-0.1	3.7517	-0.1	3.755	-0.1	-
Singapore	(S$)	1.4185	+0.0015	180 - 190	1.4205	1.4170	1.415	3.0	1.409	2.7	1.3835	2.5	-
South Africa	(R)	3.6543	-0.0017	535 - 550	3.6585	3.6535	3.6691	-9.4	3.7346	-8.8	3.9578	-8.3	-
South Korea	(Won)	783.250	-2.3	200 - 300	785.000	782.800	786.25	-4.6	789.75	-3.3	808.25	-3.2	-
Taiwan	(T$)	27.4860	+0.032	820 - 900	27.4900	27.4700	27.506	-0.9	27.546	-0.9	-	-	-
Thailand	(Bt)	25.3400	-	300 - 500	25.3550	25.3290	25.4387	-4.7	25.6425	-4.6	26.525	-4.7	-

† SDR rate per $ for Jan 26. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Jan 26: Base average 1990=100

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Jan 29		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.84	16.72	4.864	2.096	5240	5.451	21.32	506.2	412.4	22.89	3.961	2.172	4.517	3.275	349.0	2.662
Denmark	(DKr)	53.09	10	8.877	2.582	1.113	2782	2.894	11.32	268.7	218.9	12.15	2.103	1.153	2.398	1.739	185.3	1.413
France	(FFr)	59.81	11.26	10	2.909	1.253	3134	3.260	12.75	302.7	246.6	13.69	2.369	1.299	2.701	1.959	208.7	1.592
Germany	(DM)	20.56	3.872	3.438	1	0.431	1077	1.121	4.383	104.1	84.78	4.706	0.814	0.446	0.929	0.673	71.74	0.547
Ireland	(I£)	47.73	8.989	7.979	2.321	1	2501	2.601	10.17	241.6	196.8	10.92	1.890	1.036	2.155	1.563	166.5	1.270
Italy	(L)	1.908	0.359	0.319	0.093	0.040	100.	0.104	0.407	9.660	7.870	0.437	0.076	0.041	0.086	0.062	6.660	0.051
Netherlands	(Fl)	18.35	3.455	3.068	0.892	0.384	961.4	1	3.912	92.87	75.66	4.199	0.727	0.398	0.829	0.601	64.02	0.488
Norway	(NKr)	46.90	8.835	7.843	2.282	0.983	2458	2.557	10	237.4	193.4	10.74	1.858	1.018	2.119	1.536	163.7	1.249
Portugal	(Es)	19.76	3.721	3.303	0.961	0.414	1035	1.077	4.212	100.	81.47	4.522	0.782	0.429	0.892	0.647	68.94	0.526
Spain	(Pta)	24.25	4.568	4.055	1.180	0.508	1271	1.322	5.170	122.7	100.	5.550	0.961	0.527	1.095	0.794	84.62	0.646
Sweden	(SKr)	43.69	8.230	7.306	2.125	0.916	2290	2.381	9.315	221.2	180.2	10	1.731	0.949	1.975	1.431	152.5	1.163
Switzerland	(SFr)	25.25	4.755	4.221	1.228	0.529	1323	1.376	5.383	127.8	104.1	5.779	1	0.548	1.140	0.827	88.10	0.672
UK	(£)	46.06	8.674	7.700	2.240	0.965	2413	2.510	9.818	233.1	189.9	10.54	1.824	1	2.080	1.508	160.7	1.226
Canada	(C$)	22.14	4.170	3.702	1.077	0.464	1160	1.207	4.720	112.1	91.30	5.067	0.877	0.481	1	0.725	77.26	0.589
US	($)	30.54	5.752	5.106	1.486	0.640	1600	1.664	6.511	154.6	125.9	6.989	1.210	0.663	1.379	1	106.6	0.813
Japan	(Y)	28.65	5.396	4.792	1.394	0.600	1502	1.562	6.110	145.1	118.2	6.559	1.135	0.622	1.294	0.938	100.	0.763
Ecu		37.58	7.076	6.281	1.827	0.787	1968	2.047	8.008	190.1	154.9	8.597	1.488	0.816	1.697	1.230	131.1	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10: Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.6725	0.6734	+0.0012	0.6739	0.6714	28,425	83,782
Jun	0.6756	0.6768	+0.0012	0.6770	0.6756	501	3,518
Sep	-	0.6795	-	-	-	17	1,374

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.8295	0.8293	-0.0009	0.8317	0.8284	19,091	49,159
Jun	0.8346	0.8360	-0.0008	0.8360	0.8346	411	1,390
Sep	-	0.8438	-0.0010	-	0.8440	7	103

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.9430	0.9445	+0.0006	0.9461	0.9408	12,427	76,069
Jun	-	0.9565	+0.0014	0.9569	-	402	3,908
Sep	-	0.9654	-	-	-	84	698

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	1.5014	1.5028	+0.0012	1.5040	1.5006	12,788	49,947
Jun	1.5014	1.5014	+0.0026	1.5014	1.5014	36	266
Sep	-	1.4970	+0.0014	1.4970	1.4950	4	8

EMS EUROPEAN CURRENCY UNIT RATES

Jan 29	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Netherlands	2.15214	2.11258	-0.00045	-1.84	4.50	14
Belgium	39.3960	38.7874	+0.0028	-1.54	4.19	11
Spain	162.493	160.094	-0.015	-1.48	4.13	10
Austria	13.4383	13.2644	-0.0009	-1.29	3.93	9
Germany	1.91007	1.88624	-0.00027	-1.25	3.88	12
Denmark	7.28580	7.30148	+0.00513	0.21	2.36	-1
Portugal	195.792	196.354	+0.001	0.29	2.29	-2
France	6.40608	6.45998	+0.00696	1.31	1.26	-11
Ireland	0.792214	0.812670	+0.000716	2.58	0.00	-17
NON ERM MEMBERS						
Greece	292.867	312.678	+0.140	6.76	-3.92	-
Italy	2106.15	2031.19	-5.48	-3.56	6.37	-
UK	0.786652	0.842154	+0.000136	7.06	-4.18	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	Calls Feb	Calls Mar	Calls Apr	Puts Feb	Puts Mar	Puts Apr
1.500	1.12	1.84	2.38	1.16	2.07	2.51
1.510	0.65	1.40	1.85	1.75	2.59	3.07
1.520	0.36	1.04	1.51	2.43	3.00	3.69
1.530	0.25	0.75	1.16	3.17	3.75	4.36
1.540	0.13	0.52	0.91	4.05	4.51	5.08
1.550	0.06	0.36	0.69	4.97	5.55	-

Previous day's vol., Calls 28,998 Puts 24,582. Prev. day's open int., Calls 178,910 Puts 203,808

WORLD INTEREST RATES

MONEY RATES

January 29	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.00	3.00	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.00	3.00	-
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.20	-	5.60
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.20	-	5.60
Germany	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.00	3.00	3.65
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.00	3.00	3.65
Ireland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	6.25
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	6.25
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	9.00	9.96
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	9.00	10.48
Netherlands	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	3.00	3.30
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	3.00	3.30
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.00	1.50	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.00	1.50	-
US	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	5.25	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	5.25	-
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	0.50	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
US Dollar CDs	-	5.23	5.19	5.12	4.98	-	-	-
week ago	-	5.23	5.23	5.14	4.99	-	-	-
ECU Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
SDR Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Jan 29	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D-Mark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dutch Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
French Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portuguese Esc.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spanish Peseta	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Can. Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate (FFr5m)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	95.27	95.23	-0.04	95.29	95.16	26,979	60,710
Jun	95.58	95.51	-0.04	95.58	95.46	8,537	54,776
Sep	95.64	95.60	-0.03	95.68	95.55	4,865	40,512

■ THREE MONTH EUROMARK FUTURES (LIFFE) DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ THREE MONTH EUROLIRA FUTURES (LIFFE) L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

* LIFFE futures also traded on APT

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	Calls Mar	Calls Apr	Calls Jun	Calls Sep	Puts Mar	Puts Apr	Puts Jun	Puts Sep
9650	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
9675	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
9700	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Est. vol. total, Calls [illegible] Puts [illegible]. Previous day's open int., Calls [illegible] Puts [illegible]

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	Calls Mar	Calls Jun	Calls Sep	Puts Mar	Puts Jun	Puts Sep
9600	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
9625	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
9650	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Est. vol. total, Calls [illegible] Puts [illegible]. Previous day's open int., Calls [illegible] Puts [illegible]

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	Calls Mar	Calls Jun	Calls Sep	Puts Mar	Puts Jun	Puts Sep
9025	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
9050	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
9075	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Est. vol. total, Calls [illegible] Puts [illegible]. Previous day's open int., Calls [illegible] Puts [illegible]

UK INTEREST RATES

BASE LENDING RATES

	%
[illegible]	

■ Members of London Investment Banking Association
* In administration

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	Calls Mar	Calls Jun	Calls Sep	Puts Mar	Puts Jun	Puts Sep
9375	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
9400	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
9425	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Est. vol. total, Calls [illegible] Puts [illegible]. Previous day's open int., Calls [illegible] Puts [illegible]

LONDON MONEY RATES

Jan 29	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling CDs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bank Bills	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Local authority deps.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Discount Market deps	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

UK clearing bank base lending rate 6¼ per cent from January 18, 1996

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	5½	5	5	4¾

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1½pc. Ave. tender rate of discount [illegible]. ECGD fixed rate Stg. Export Finance. Make up day Dec 29, 1995. Agreed rate for period Jan 24, 1996 to Feb 26, 1996, Scheme II & III [illegible]. Reference rate for period Dec 1, 1995 to Dec 29, 1995, Scheme IV & V [illegible]. Finance House Base Rate 7pc from January 1, 1996

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

	Notes	Price	+ or -	52 week high	52 week low	Mkt Cap£m	Yld Gr's	P/E
Allied Domecq		528xd	+2	568	478½	5,489	5.6	19.2
Bulmer (HP)		540xd	+16	541	393	285.1	2.8	16.8
Burn St Dist		124	—	146	99	73.5	5.0	25.7
Grand Met		450xd	+2	467	361	9,409	4.1	15.8
Guinness		493	+1	538	404	9,477	3.8	14.5
Highland		322	+1	408	315	428.9	3.1	14.6
Kirin Y		771½	-3¼	778¾	621	8,179	0.8	29.5
Macallan-Glen		189	+1	217	157	186.4	1.0	37.5
Macdon Martin A		698	-5	700	600	86.3	2.2	17.8
Matthew Clark		657xd	-2	694	539	577.8	4.2	-
Merrydown		107	—	140	88	11.7	2.3	-
Seagram $		£24¼	+¼	£25¼	£18¼	6,966	1.2	-

BANKS, MERCHANT

	Notes	Price	+ or -	52 week high	52 week low	Mkt Cap£m	Yld Gr's	P/E
Barings 8pc Cu 3rd Pf		60½	—	98	50¼	6.31	19.8	-
Cater Allen		476	+2	625	418	155.2	7.9	7.9
Close Bros		348	+10	*348	217½	494.9	3.1	15.4
Gerrard & Nat		469	-1	472	395	228.9	6.0	15.1
Hambros		198	+1	238	180	351.8	4.7	-
7½pc Cv Pf		102	—	110	94	131.4	8.2	-
Joseph (L)		453	—	480	353	24.0	5.2	15.6
King & Shaxson		146	—	152	85	38.5	7.7	11.3
Rea Brothers		63	-2	67	44	38.4	2.0	25.2
Schroders		1290	-5	*1478	906¾	1,947	1.4	18.4
N/V		1025	-5	*1188	823¼	480.1	1.7	14.8
Singer & Fried		104	+½	111	61	205.2	4.4	10.8
8½pc Cv Ln 08/14		£132½	+¼	£137	£112	40.8	6.4	-
Union		98	—	121	70	28.1	3.8	-
Wintrust		270	—	285	200	28.2	5.5	15.2

BANKS, RETAIL

[illegible]

BREWERIES, PUBS & REST

[illegible]

BUILDING & CONSTRUCTION

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

BUILDING MATS. & MERCHANTS - Cont.

[illegible]

CHEMICALS

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ELECTRONIC & ELECTRICAL EQPT - Cont.

[illegible]

ENGINEERING

[illegible]

ENGINEERING, VEHICLES

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

EXTRACTIVE INDUSTRIES - Cont.

[illegible]

FOOD PRODUCERS

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HOUSEHOLD GOODS

[illegible]

HOUSEHOLD GOODS - Cont.

[illegible]

INSURANCE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

INV TRUSTS SPLIT CAPITAL

[illegible]

INV TRUSTS SPLIT CAPITAL - Cont.

LEISURE & HOTELS - Cont.

OTHER FINANCIAL - Cont.

PROPERTY - Cont.

SUPPORT SERVICES - Cont.

AIM - Cont.

LIFE ASSURANCE

PAPER, PACKAGING & PRINTING

MEDIA

RETAILERS, FOOD

TELECOMMUNICATIONS

AMERICANS

TEXTILES & APPAREL

RETAILERS, GENERAL

PHARMACEUTICALS

CANADIANS

OTHER INVESTMENT TRUSTS

OIL EXPLORATION & PRODUCTION

TOBACCO

TRANSPORT

SOUTH AFRICANS

INVESTMENT COMPANIES

PHARMACEUTICALS - Cont.

RETAILERS, GENERAL - Cont.

PROPERTY

WATER

OIL, INTEGRATED

SUPPORT SERVICES

AIM

OTHER FINANCIAL

LEISURE & HOTELS

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by FT Extel, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm –) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- • Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ◆ Figures or report awaited
- ◆ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ‡ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- ¶ Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♦ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v P/e ratios are calculated under new ACT guidelines.
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1995.
K Yield based on prospectus or other official estimates for 1996
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1995-96.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

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LONDON STOCK EXCHANGE

MARKET REPORT

Equities on hold ahead of interest rate meetings

By Steve Thompson, UK Stock Market Editor

Individual stock price movements rather than broad market trends tended to reflect the mood of a UK share market lacking a decisive lead at the start of a very important week for global equities.

Today brings the start of the regular Federal Open Market Committee meeting, scheduled to last for two days. Thursday sees the Bundesbank Council meet in Frankfurt.

Both meetings will decide the future of interest rates in the US and Germany and set the course for global interest rates.

London stocks traded in a narrow range, kicking off the session in good form but quickly running out of steam as marketmakers and investors stood back to await the big interest rate decisions to be taken later in the week.

"No-one wanted to get too involved ahead of what could be two pivotal decisions in the world market," said one leading trader. Other dealers agreed and also pointed to the latest bout of nervousness surrounding international bond markets, which saw US Treasury bonds, German bunds and gilts lose further ground.

At the end of one of the quietest trading sessions for some weeks the FT-SE 100 was left with a minimal decline of 0.1 at 3,734.6.

The general market lethargy extended to the recently resilient second line stocks, which meekly followed the trend in the leaders before edging ahead late in the session. The FT-SE Mid 250 index settled a net 3.5 higher at 4,089.1, and was given a substantial boost by two 5 per cent-plus gains in Lloyds Chemists and Stagecoach.

Lloyds Chemists' latest upsurge came in the wake of intense speculation that Gehe, the acquisitive German pharmaceuticals wholesaler, may be about to launch a counter to the agreed £538m bid for Lloyds from Unichem, the UK pharmaceuticals distribution company.

Stagecoach, the rapidly expanding transport group, raced higher on news that it is bidding for GM Buses South.

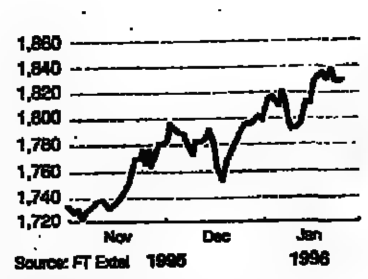
As far as the leading stocks were concerned, banks and other various bid targets attracted the lion's share of business.

The banks sector, one of the best performing areas of the UK equity market last year, was the centre of attention. Now split into two specific areas, those specialising in the savings/mortgage businesses and those with global investment banking aspirations, it was the perceived mortgage price war that damaged Lloyds TSB and Abbey National. Barclays and NatWest, on the other hand, were always in good shape, with some observers noting evidence of large-scale switching between the two groups of banks.

Top performances in the FT-SE 100 came from Ladbroke, which was once again put forward by the weekend press as a potential break-up target.

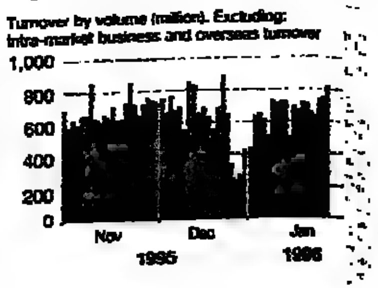
Turnover at 6pm came out at 664.5m shares, well down from recent sessions, but by no means disappointing compared with recent Monday sessions. Non-FT-SE 100 stocks accounted for 55 per cent of total business. Customer business on Friday was valued at £2.1bn, the third consecutive trading session to top the £2bn level.

FT-SE-A All-Share Index



Equity shares traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



Indices and ratios

FT-SE 100	3734.6	-0.1
FT-SE Mid 250	4089.1	+3.5
FT-SE-A 350	1854.9	+0.3
FT-SE-A All-Share	1829.69	+0.34
FT-SE-A All-Share yield	3.73	(3.73)
FT Ordinary index	2769.4	+3.1
FT-SE-A Non Fins p/e	16.84	(16.82)
FT-SE 100 Fut Mar	3746.5	+4.5
10 yr Gilt yield	7.47	(7.43)
Long gilt/equity yld ratio:	2.11	(2.10)

Best performing sectors

1. Life Assurance .... +1.0
2. Transport .... +0.9
3. Oil, Integrated .... +0.9
4. Retailers, General .... +0.7
5. Mineral Extraction .... +0.7

Worst performing sectors

1. Gas Distribution .... -1.5
2. Banks, Retail .... -0.9
3. Property .... -0.9
4. Health Care .... -0.7
5. Telecommunications .... -0.7

Mortgage war hits banks

Mortgage companies received a stark message from the market yesterday. Heavy selling in Abbey National and Lloyds TSB conveyed the belief that even if home sales pick up, the competition to attract lenders and borrowers will be fierce.

Abbey fell 18 to 614p, the worst performance in the Footsie, with 9.4m shares changing hands. Lloyds tumbled 8½ to 335p and experienced its third highest turnover on record. It is believed that UBS, which issued a bearish piece of research after the close on Friday, had been selling heavily.

The Stock Exchange delayed ticker revealed that one single block of 9m shares was traded at 345p a share on Friday – worth £31m. It was at the heart of yesterday's total of 32m shares in Lloyds TSB.

Mr Rob Thomas at UBS argued that mutually owned building societies could afford to cut as much as a percentage point off lending rates, but that banks would be badly squeezed.

Abbey also suffered a downgrade from its own broker, SBC Warburg.

Concern was sparked off last week when Bradford & Bingley raised its deposit rates for savers and cut its lending rate to borrowers in a £50m package.

Sunday newspaper reports suggested that the Nationwide Building Society would follow suit shortly.

Gas blow

Big selling in British Gas at the start of trading set the tone for a bad day in the hard-pressed utility.

A block of 7m shares was taken on at 232p a share and passed on at 233½p, below the underlying price. There was further pressure from regulatory comments made in one Sunday newspaper. Ms Clare Spottiswoode, the industry regulator, was quoted as saying that British Gas could lose 50 per cent of its domestic market to competition. Also, the number of complaints against the company doubled in 1995. Finally, Moody's – the US credit assessment group – cut its rating on British Gas.

With that sort of heat around, news that Transco – the company's pipeline business – had set a new record for gas supply last Thursday was unable to relieve the pain. British Gas shed 4 to 236p on turnover of 20m shares.

Standard denial

To deny a rumour once could be judicious. But twice in one week smacks of desperation.

Standard Chartered returned to the Stock Exchange notice board yesterday to distance itself, again, from takeover talk. It said that, since May 1993, there had been "no formal discussions or proposals which would involve the acquisition or merger of the company".

The shares slipped 2 to 636p but, considering their 90 per cent gain last year and the sharp rises last week, that was insignificant. Some fund managers and analysts remain convinced that the bank will attract a bid – in spite of the large amount of goodwill already reflected in the share price.

Leisure and hotels group Ladbroke was the day's best performer in the Footsie, the shares moving forward 5 to finish at 174p as investors focused on stories surrounding the company.

The market was cheered by confirmation from hotels group Stakis that it is in talks with Ladbroke which might lead to the sale of its Barracuda Club casino in London. Ladbroke is expected to pay between £25m and £30m for the casino.

Stakis was said to want the sale because it is interested in purchasing some of the mid-range hotels acquired by Granada Group after it won control of Forte. One analyst said: "Such a move would be positive for Ladbroke as it helps it develop its gaming side. But it would also be good for Stakis as it gives it more money to spend on hotels."

There are those that continue to believe that Ladbroke is a takeover target, which also helped to boost sentiment yesterday.

Stakis closed unchanged at 87p, while Forte lost 5 to 397p in trade of 12m shares. Profit-taking in Granada saw the stock relinquish 12 to 702p.

Retailer Boots advanced 12 to 619p as speculation continued that it plans to sell its Childrens World chain. The company has made no comment on the speculation, which was first heard in the market last week, but Storehouse remains the favourite among those speculating about the sale. Storehouse eased a penny to 292p in volume of 4.8m.

Speculation that retailer Lloyds Chemists could soon be at the centre of a bitter takeover battle helped to drive the shares strongly ahead. The session saw the stock gain more than 5 per cent as it jumped 24 to 450p, making it the best performer in the FT-SE Mid 250 index.

Earlier this month Unichem made a £538m recommended offer for Lloyds Chemists, but an official close to German group Gehe said at the end of last week that he expected Gehe to table a rival offer. Unichem finished 6 lighter at 249p.

Internationally traded stocks received a boost from the US buying which has pushed Wall Street to new highs over the past two trading days.

Shell Transport, the Dutch partner of which is 40 per cent held in the US, gained 6¼ at 729p. British Petroleum, which has a US holding of around 13 per cent, appreciated 5¼ to close at 526p.

SmithKline Beecham, the pharmaceuticals company that represents a US and UK merger reflected in its "A" shares and Units, strengthened 6½ to 729p in the former and 6 to 724p in the Units.

Berkeley Group, regarded as a bellwether of the UK housing market, climbed 15 to 504p following favourable weekend press comment. Last week the group launched a £73.1m rights issue to buy land and finance possible acquisitions.

The market cheered news that Stagecoach is to buy GM Buses South in a £40.7m deal. The company is also raising £19.9m through a share placing at 331p apiece to reduce borrowing.

Property and shipping giant P&O remained a solid market and the shares moved ahead a further 8 to 550p, boosted by reports that it is planning a £1bn disposal programme.

Property group Land Securities surrendered 9 to 624p after cautious comments from Merrill Lynch and NatWest Securities. The latter downgraded its recommendation from hold to reduce, saying it was one of the stocks that looked expensive on the basis of its valuation model.

The same broker downgraded Hammerson for similar reasons and the shares in the group retreated 9 to 340p.

Persimmon, the housebuilder, closed 4 cheaper at 191p after announcing a £91m rights issue and acquisition. The company is buying Ideal Homes from Trafalgar House for £170m.

Farnell, the electronic components distributor that fell sharply after investors felt that it had overpaid for Premier Industrial, of the US, bounced 18 to 630p yesterday.

Mercury Asset Management has increased its stake in the company by 3 percentage points to 12.1 per cent, or 16.5m shares.

Northern Ireland Electricity forged ahead 11 to 418p with some help from SBC Warburg.

The broker considers the regional electricity company to have "the best compound dividend growth of any of the monopoly utilities to 2000".

MARKET REPORTERS:
Peter John,
Joel Kibazo.

FINANCIAL TIMES EQUITY INDICES

	Jan 29	Jan 26	Jan 25	Jan 24	Jan 23	Yr ago	*High	*Low
Ordinary Share	2769.4	2766.3	2765.6	2768.2	2769.4	2263.3	2788.2	2238.3
Ord. div. yield	3.90	3.91	3.92	3.90	3.92	4.63	4.73	3.90
P/E ratio net	16.67	16.62	16.58	16.69	16.58	17.46	21.32	15.36
P/E ratio nil	16.46	16.41	16.37	16.48	16.37	16.54	22.21	15.17

*For 1995/96. Ordinary Share index since compilation: high 2788.2 18/01/96; low 49.4 26/6/40. Base Date: 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2771.0	2772.0	2763.6	2764.2	2762.1	2764.2	2767.4	2770.5	2768.8	2772.4	2762.1

	Jan 29	Jan 26	Jan 25	Jan 24	Jan 23	Yr ago
SEAQ bargains	33,972	32,184	35,173	35,703	37,867	19,529
Equity turnover (£m)†	-	2073.6	2495.0	2005.6	1726.1	1108.0
Equity bargains†	-	36,416	41,409	42,114	46,647	27,404
Shares traded (mil)†	-	804.7	779.1	751.0	667.9	602.4

†Excluding intra-market business and overseas turnover.

London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	529	Total Highs	155	Total contracts	26,336
Total Falls	512	Total Lows	39	Calls	18,944
Same	1,553			Puts	7,392

Jan. 29 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	3751.0	3748.0	+8.0	3758.0	3739.0	8243	65697
Jun		3750.5	+6.0			0	1186

FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar		4100.0	+6			0	3307

FT-SE 100 INDEX OPTION (LIFFE) (*3735) £10 per full index point

EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

† Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1995/96 High	Low	Stock
-	F.P.	9.26	6½	5¼	†Ballynatray
-	F.P.	23.6	125	118	Century Inns
-	F.P.	14.3	80	72	†Omatek
-	F.P.	26.6	86	73	Jupiter Split Cap
-	F.P.	53.5	101	98	Jupiter Split Inc
-	F.P.	59.0	259	259	Jupiter Split Units
-	F.P.	37.1	72	67	MediaKey
-	F.P.	0.13	8	8	†Nthn Petm Wts
-	F.P.	1.13	105	100	†Revelation P'olly
-	F.P.	3.21	60	55	†Self Sealing Syst
-	F.P.	0.97	8	5	†SkyePharma Wts
-	F.P.	5.40	135	125	†Viewinn

† Alternative Investment Market. For a full explanation of all other symbols please refer to The London Share Service notes.

FT GOLD MINES INDEX

	Jan 29	% chg on day	Jan 26	Year ago	Gross div yield %	P/E ratio	52 week High	Low
Gold Mines Index(33)	2309.87	+1.3	2277.44	1731.26	1.47	-	[illegible]	[illegible]
Regional Indices								
Africa (16)	3222.22	+4.7	3077.71	2566.57	2.81	35.86	3084.46	2272.74
Australasia (5)	2674.66	+0.2	2668.18	2126.29	2.13	41.52	2732.31	1786.20
North America (12)	1990.81	-0.2	1994.16	1428.22	0.68	66.81	2010.71	1348.18

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FT - SE Actuaries Share Indices — The UK Series

	Jan 29	Day's chge%	Jan 26	Jan 25	Jan 24	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3734.6	....	3734.7	3734.2	3738.2	2995.9	3.83	2.07	15.74	5.52	1495.12
FT-SE Mid 250	4089.1	+0.1	4085.6	4086.7	4086.9	3382.3	3.68	1.82	19.19	20.10	1618.43
FT-SE Mid 250 ex Inv Trusts	4092.8	+0.1	4089.9	4090.9	4091.9	3394.6	3.73	1.87	17.91	[illegible]	1621.72
FT-SE-A 350	1854.9	....	1854.6	1854.6	1863.9	1498.3	3.79	2.02	16.36	4.09	[illegible]
FT-SE-A 350 Higher Yield	1854.1	-0.2	1857.4	1857.0	1871.6	1523.9	4.65	1.84	14.62	6.26	1282.26
FT-SE-A 350 Lower Yield	1860.7	+0.2	1856.6	1856.6	1860.8	1472.3	2.86	2.34	18.73	1.79	1271.41
FT-SE SmallCap	2013.76	+0.1	2012.72	2010.93	2009.75	1710.59	3.11	1.84	21.79	3.23	1630.62
FT-SE SmallCap ex Inv Trusts	1987.38	....	1986.39	1983.80	1982.74	1692.32	3.33	1.93	19.41	[illegible]	1618.07
FT-SE-A ALL-SHARE	1829.69	....	1829.35	1829.13	1837.64	1483.45	3.73	2.01	16.66	3.95	1523.46

FT-SE Actuaries All-Share

	Jan 29	Day's chge%	Jan 26	Jan 25	Jan 24	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(24)	3217.32	+0.7	3196.16	3174.06	3179.34	2646.41	3.63	2.02	17.00	0.00	1353.87
12 Extractive Industries(6)	4111.91	-0.2	4118.28	4116.36	4103.33	3586.35	3.61	2.56	13.54	0.00	1179.09
15 Oil, Integrated(3)	3265.22	+0.9	3237.20	3209.21	3220.44	2636.25	3.77	1.95	16.97	0.00	1408.55
16 Oil Exploration & Prod(15)	2141.03	+0.3	2135.61	2130.43	2115.37	1888.09	2.29	[illegible]	36.85	0.00	1270.84
20 GEN INDUSTRIALS(276)	2015.90	+0.1	2013.11	2010.28	2021.82	1779.33	4.10	1.90	16.05	1.18	[illegible]
21 Building & Construction(34)	1050.98	+0.1	1049.99	1044.67	1040.45	947.25	3.81	2.17	15.16	0.38	868.17
22 Building Matls & Merchs(29)	1822.06	+0.3	1816.96	1814.98	1813.32	1693.57	4.11	2.03	14.97	0.61	904.57
23 Chemicals(23)	2426.61	+0.3	2420.31	2419.53	2481.75	2212.70	4.04	1.87	16.56	0.91	1130.44
24 Diversified Industrials(21)	1815.50	-0.3	1820.21	1813.66	1829.24	1740.41	5.44	1.55	14.52	1.99	993.77
25 Electronic & Elect Equip(36)	2268.54	+0.2	2264.57	2263.15	2260.80	1815.78	3.19	1.96	19.98	1.56	1164.64
26 Engineering(71)	2240.54	+0.3	2232.91	2228.32	2238.91	1709.95	3.33	2.24	16.77	1.32	1341.89
27 Engineering, Vehicles(13)	2597.81	-0.1	2599.90	2605.71	2629.92	2029.13	3.94	1.26	25.17	0.23	1324.64
28 Paper, Pckg & Printing(25)	2622.73	+0.4	2611.40	2615.40	2642.12	2712.86	3.80	[illegible]	13.00	0.39	1075.96
29 Textiles & Apparel(17)	1504.10	+0.2	1500.45	1506.01	1506.48	1460.88	4.62	1.80	15.06	0.00	902.10
30 CONSUMER GOODS(81)	3669.13	+0.2	3661.93	3656.10	3687.51	2775.69	3.71	1.79	18.81	7.77	1334.20
32 Alcoholic Beverages(6)	2861.46	+0.3	2853.90	2861.33	2906.69	2511.56	4.25	1.79	16.41	28.48	[illegible]
33 Food Producers(23)	2621.96	-0.4	2633.53	2646.51	2652.68	2310.64	3.93	1.81	[illegible]	4.63	1164.67
34 Household Goods(15)	2661.92	[illegible]	2662.78	2657.16	2661.75	2462.50	3.59	2.15	16.23	1.39	999.96
36 Health Care(20)	1923.64	-0.7	1937.51	1937.84	1927.31	1574.13	2.66	1.76	26.69	2.06	1156.18
37 Pharmaceuticals(13)	5190.37	+0.7	5156.54	5158.12	5165.02	3318.32	3.16	1.70	23.26	0.05	[illegible]
38 Tobacco(1)	4824.17	-0.2	4832.64	4824.17	4906.89	3717.37	4.97	1.94	[illegible]	0.00	1167.11
40 SERVICES(254)	2294.50	+0.2	2289.32	2288.39	2291.80	1836.50	2.99	2.12	19.74	4.04	1177.88
41 Distributors(32)	2622.49	+0.5	2609.51	2598.25	2588.16	2286.68	3.65	1.79	19.15	0.00	954.46
42 Leisure & Hotels(34)	2861.20	-0.5	2875.10	2853.82	2856.78	2036.35	3.03	2.04	20.22	13.91	1473.50
43 Media(46)	3640.56	-0.1	3642.39	3618.39	3627.84	2684.10	2.14	2.22	26.31	7.49	1305.64
44 Retailers, Food(16)	1981.37	-0.1	1984.00	2024.32	2055.58	1813.27	3.69	2.41	14.09	0.51	1241.01
45 Retailers, General(43)	1942.45	+0.7	1929.30	1927.86	1918.54	1510.40	3.06	2.27	18.05	2.01	1096.15
47 Breweries, Pubs & Rest.(24)	2893.05	+0.1	2891.40	2892.76	2905.09	2194.16	3.41	2.08	17.60	12.59	1378.02
48 Support Services(49)	1934.52	+0.3	1928.32	1934.94	1936.88	1453.95	2.42	2.51	20.58	1.81	1218.44
49 Transport(21)	2325.05	+0.9	2304.07	2295.29	2279.81	2161.04	3.73	1.39	24.11	1.17	955.31
60 UTILITIES(34)	2380.54	-0.5	2392.77	2411.16	2430.43	2349.54	5.20	2.02	11.93	26.51	1006.66
62 Electricity(13)	2669.20	-0.1	2671.97	2658.49	2682.34	2437.91	5.19	2.62	9.21	102.23	1290.69
64 Gas Distribution(2)	1571.02	-1.5	1594.89	1629.34	1647.92	1999.74	7.63	1.04	15.76	0.00	789.20
66 Telecommunications(7)	1932.54	-0.7	1946.23	1976.46	1998.92	1988.97	4.37	1.74	16.43	0.00	[illegible]
68 Water(12)	2085.11	+0.1	2083.46	2079.89	2088.46	1677.78	5.84	2.61	8.19	3.61	1130.73
69 NON-FINANCIALS(669)	1926.45	+0.1	1923.62	1923.78	1932.17	1611.71	3.79	1.95	16.84	5.10	1440.68
70 FINANCIALS(108)	2958.92	-0.6	2976.00	2972.24	2993.04	2058.45	[illegible]	2.33	14.06	0.52	1249.84
71 Banks, Retail(8)	4242.14	-0.9	4281.73	4284.17	4304.80	2675.84	3.53	2.60	13.61	0.00	1359.87
72 Banks, Merchant(6)	3526.29	+0.1	3521.25	3523.64	3548.84	3069.03	2.64	2.41	19.64	0.00	[illegible]
73 Insurance(24)	1437.53	-0.3	1442.54	1453.16	1460.83	1142.59	5.07	2.69	9.16	0.06	1053.62
74 Life Assurance(6)	3460.56	+0.9	3428.02	3433.84	3460.41	2255.26	4.03	1.53	20.25	0.00	[illegible]
77 Other Financial(23)	2421.82	+0.2	2418.01	2404.75	2395.44	1848.46	3.69	1.90	17.79	0.44	[illegible]
79 Property(41)	1447.08	-0.9	1459.85	1469.24	1468.13	1354.61	4.30	1.32	22.06	2.51	879.10
80 INVESTMENT TRUSTS(127)	3124.33	+0.2	3119.14	3123.23	3120.57	2582.99	2.14	1.05	55.68	[illegible]	1082.67
89 FT-SE-A ALL-SHARE(904)	1829.69	....	1829.35	1829.13	1837.64	1483.45	3.73	2.01	16.66	3.95	[illegible]
FT-SE-A Fledgling	1136.81	....	1136.55	1134.64	1132.24	987.35	2.97	2.22	18.95	2.31	1176.82
FT-SE-A Fledgling ex Inv Trusts	1133.98	....	1134.09	1132.06	1129.43	990.97	3.26	2.40	15.62	2.37	1173.07

Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	3738.2	3740.4	3732.0	3731.7	3728.2	3728.8	3733.0	3737.2	3735.6	3741.7	3727.5
FT-SE Mid 250	4087.4	4088.0	4086.1	4084.7	4082.9	4084.0	4084.9	4086.8	4089.5	4089.7	4082.8
FT-SE-A 350	1856.2	1857.1	1853.6	1853.3	1851.8	1852.1	1853.9	1855.7	1855.3	1857.6	1851.5

Time of FT-SE 100 Day's high: 9.00am Day's low: 12.05pm. FT-SE 100 1995/96 High: 3758.2 (24/1/96) Low: 2954.2 (23/1/95).

FT-SE Actuaries 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrn	1050.4	1051.2	1051.3	1051.3	1050.8	1050.2	1050.2	1050.2	1050.6	1050.2	1057.8	+2.6
Pharmaceuticals	5103.0	5105.4	5098.1	5099.5	5099.2	5099.2	5116.6	5129.4	5130.8	5131.4	5098.0	+33.4
Water	2077.9	2080.0	2076.2	2074.0	2072.8	2073.0	2073.2	2075.3	2077.9	2077.9	2076.2	+1.7
Banks, Retail	4335.2	4321.0	4307.2	4313.8	4302.7	4298.2	4301.6	4303.6	4297.1	4296.3	4338.4	-10.1

TRADING VOLUME

Major Stocks Yesterday

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Jan 29 / Sch)

BELGIUM/LUXEMBOURG (Jan 29 / Frs.)

CZECH REP (Jan 29 / Koruna)

DENMARK (Jan 29 / Kr)

FINLAND (Jan 29 / Mks)

FRANCE (Jan 29 / Frs.)

GERMANY (Jan 29 / Dm.)

GREECE (Jan 29 / Drachma)

ITALY (Jan 29 / Lire)

NETHERLANDS (Jan 29 / Fls.)

NORWAY (Jan 29 / Kroner)

POLAND (Jan 29 / Zloty)

PORTUGAL (Jan 29 / Escudo)

SPAIN (Jan 29 / Pts.)

SWEDEN (Jan 29 / Kronor)

SWITZERLAND (Jan 29 / Frs.)

TURKEY (Jan 29 / TK Lira)

PACIFIC

JAPAN (Jan 29 / Yen)

HONG KONG (Jan 29 / H.K.$)

INDONESIA (Jan 29 / Rupiah)

MALAYSIA (Jan 29 / MYR)

NEW ZEALAND (Jan 29 / NZ $)

SINGAPORE (Jan 29 / S$)

AUSTRALIA (Jan 29 / Aust$)

SOUTH KOREA (Jan 29 / Won)

TAIWAN (Jan 29 / TW $)

THAILAND (Jan 29 / Baht)

NORTH AMERICA

CANADA

TORONTO (Jan 29 / Can $) 4 pm close

MONTREAL (Jan 29 / Can $) 4 pm close

AFRICA

SOUTH AFRICA (Jan 29 / Rand)

INDICES

	Jan 29	Jan 26	Jan 25	1995/96 High		Low	
Ireland							
ISEQ Overall(4/1/88)	2328.94	2319.30	2327.06	2328.94	29/1/96	1813.58	23/1/95
Italy							
Banca Comm Ital(1972)	608.78	601.87	610.93	688.84	10/2/95	547.79	5/12/95
MIB General(2/1/95)	1029.0	1020.0	1036.0	1044.09	24/1/96	882.60	15/1/95
Japan							
Nikkei 225(16/5/49)	20598.20	20663.64	20414.69	20989.00	5/1/96	14485.40	3/7/95
Nikkei 300(1/10/82)	297.80	299.14	296.49	307.98	5/1/96	222.26	13/6/95

	Jan 29	Jan 26	Jan 25	1995/96 High		Low	
Istanbul Comp.(Jan 1986)	45813.8	46891.9	47581.7	48883.90	21/4/95	24844.39	23/1/95
WORLD							
MS Capital Intl(1/1/70)	733.6*	733.0	731.9	749.80	5/1/95	598.21	23/1/95
CROSS-BORDER							
Eurotrack 100(26/10/90)	1539.25	1536.40	1543.95	1544.82	19/1/96	1222.41	13/3/95
Euro Top-100(26/6/90)	1385.97	1385.26	1386.97	1388.97	25/1/96	1117.34	9/3/95
JCapeDigest(31/12/88)	(u)	366.13	368.63	368.63	25/1/96	282.67	23/1/95
ING Bangs Ewng(7/1/92)	157.11	157.80	158.82	159.31	23/1/96	117.35	10/3/95

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
CAC-40 (200 x Index)							
Jan	1988.0	1980.0	+9.0	1995.0	1981.0	26,138	28,834
Feb	1978.5	1987.5	+9.5	1992.0	1988.5	10,177	7,544
DAX							
Mar	2460.0	2446.0	-12.0	2469.5	2443.5	24,032	-
Jun	2472.0	2459.5	-10.0	2480.0	2457.5	371	-

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
OMX							
Feb	1338.00	1339.50	+4.00	1340.00	1326.00	1,808	10,599
SOFFEX							
Jan	3194.0	3198.0	+9.5	3199.0	3193.0	7,002	14,549
Feb	3202.0	3200.0	+17.8	3202.0	3190.0	243	1,303

** Sat Jan 27: Taiwan Weighted Price 4861.63; Korea Comp Ex 884.77. Base values of all indices are 100 except Australia All Ordinary and Mining - 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX - all 1,000; JSE Gold - 255.7; JSE 20 Industrials - 264.3; NYSE All Common - 50 and Standard and Poor's - 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Jan 29 - 2437.70 -12.01.

US INDICES

Dow Jones

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Close price	Change on day
Micron	10,948,000	34⅝	-1¼
Niagara Mhk	6,326,700	9⅝	+⅛
EMC	6,266,400	19⅝	-
Am Express	5,488,100	43⅝	+2⅜
Citicorp	5,322,200	70⅝	-⅝
Telefonos	4,166,500	34	+⅛
Compaq	3,632,200	46⅝	-⅛
Loral	3,242,800	45⅛	+⅜
Exide	3,201,000	33⅝	-14⅝
AT & T	2,986,000	64⅝	+⅜

TRADING ACTIVITY

● Volume (million)	Jan 26	Jan 25	Jan 24
New York SE	394.416	445.351	475.893
Amex	20.136	28.953	24.680
NASDAQ	527.810	600.379	607.288
NYSE			
Issues Traded	3,071	3,073	3,101
Rises	1,258	1,028	1,471
Falls	1,020	1,269	889
Unchanged	793	776	741
New Highs	106	139	165
New Lows	23	18	24

S&P 500	Open	Latest	Change	High	Low	Est. vol.	Open Int.
Mar	624.30	624.10	-0.05	624.70	622.80	71,839	188,344
Jun	630.00	629.65	-0.10	630.10	630.00	777	7,378

Nikkei 225	Open	Sett price	Change	High	Low	Est. vol.	Open Int.
Mar	20710.0	20650.0	-100.0	20760.0	20590.0	18,255	151,475
Jun	20730.0	20620.0	-90.0	20740.0	20600.0	727	23,475

Open Interest figures for previous day.

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Indl. Index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ¥ Subject to official recalculation.

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TOKYO - MOST ACTIVE STOCKS: Monday, January 29, 1996

	Stocks Traded	Closing Prices	Change on day
Toyota Motor	22.2m	2290	+20
Japan Steel Wk	13.9m	347	+37
Nippon Kakoh Se	12.1m	795	+100
Rhythm Watch	11.4m	464	+60
Kyokuyo	11.1m	870	+100
Japan Paper Ind	8.8m	1080	+20
Nippon Formula F	8.5m	675	+66
Nippon Denso	8.5m	2070	+10
Takara Shuzo	7.8m	1240	-40
Nippon Yusen KK	6.4m	595	

4 pm close January 29

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1995/96 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chge Prev. Close
22¼	12⅛	AAR x	0.48	2.3	24	279	20¾	20⅛	20⅝	+¼
46¾	35	AMP	1.00	2.6	19	7628	38	37½	37¾	+⅜
80¼	53⅞	AMR			29	3736	74	72⅛	72¾	-1⅛
47⅞	35⅜	ASA	1.71	3.7	30	618	46¼	45¾	46	
44¾	30¾	Abbot L	0.84	2.1	16	8466	40⅝	40⅛	40¼	
18⅞	12	Abitibi Pr	0.40	2.5	8	868	16	15⅝	16	+⅜
28½	21	ABM Ind	0.70	2.5	15	14	28¼	28⅛	28¼	
17½	13⅛	Acpiacuic			10	214	14	13⅞	14	-⅛
44	21⅞	ACE Ltd	0.56	1.3	10	2363	43¾	43¼	43⅝	+⅛
9⅞	8⅛	ACM Gvt In	0.90	9.2	8	306	9¾	9⅝	9¾	
7¾	6½	ACM GvOpp	0.66	8.5		647	u7¾	7⅝	7¾	
7½	5¾	ACM Gvt Sp	0.75	10.7		454	7⅛	7	7	
8⅞	7⅛	ACM Gvt Sa	0.80	10.1		210	u8⅞	8¾	8⅞	
9½	7⅝	ACM Man	0.80	8.8		265	9¼	9	9⅛	
29¼	10¼	AcmeClv	0.52	2.8	4	35	19	18⅞	18⅞	-¼
38¾	7⅜	Acme Elect			71	124	8⅝	8½	8⅝	+⅛
34½	23¾	Acordia	0.72	2.5	15	57	29	28⅞	29	+⅛
16¾	10⅛	Acuson			44	429	14½	14⅛	14⅜	+⅜
19⅝	15⅝	Adams Expr	0.36	1.9	0	116	18⅞	18¾	18¾	
38⅞	16⅛	AdvMic			7	2968	20¼	19⅞	20	-⅛
9¾	5	Advest Grp	0.16	1.7	9	50	u9¾	9½	9½	+⅛
27½	16½	Advo Inc	0.10	0.5	22	1456	21	20⅜	21	+⅜
46¼	24.80	Aegon	1.28	3.0	16	186	43	42¼	42⅝	-⅞
5⅞	3⅞	Aerflex			7	192	4¼	4	4	
76¾	46¾	Aetnal. x	2.76	3.7	35	2185	74⅝	73¾	74½	+⅝
47⅛	31⅞	Aflac	0.52	1.1	13	896	46¾	46½	46½	-¼
28⅜	16	Ahmanson	0.88	3.8	7	5066	23¼	22⅞	23¼	
59½	43⅞	AirPrC	1.04	2.0	15	5278	51⅞	51⅜	51⅞	+¼
29½	18⅜	Airbne Frt	0.30	1.2	24	619	27	25⅞	26	-¼
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

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4 pm close January 29

NYSE COMPOSITE PRICES

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NASDAQ NATIONAL MARKET

4 pm close January 29

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AMEX COMPOSITE PRICES

4 pm close January 29

AMERICA

S&P edges towards new record high

Wall Street

US shares were mostly flat at midday, but the Standard & Poor's 500 was edging towards closing at a new record as investors awaited more economic data and the outcome of this week's meeting of the Federal Reserve's Open Market Committee, *writes Lisa Bransten in New York.*

At 1 pm the S&P 500 was 0.79 higher at 622.41, exceeding the record of 621.69 set on December 13.

The Dow Jones Industrial Average was also heading towards breaking the record set last Friday, showing a gain of 15.53 at 5,287.28, and the American SE composite added 1.96 at 547.20. New York SE volume was 205m shares.

Technology shares were mostly lower. The Nasdaq composite was off 0.33 at 1,040.63 and the Pacific Stock Exchange technology index stood 0.2 per cent lower.

Microsoft and Intel, the two biggest companies on the Nasdaq composite, were both lower. Microsoft declined $1 to $89½ and Intel relinquished $¾ at $54¼.

Apple Computer slipped $1⅝ to $29 amid uncertainty about whether Sun Microsoft was still negotiating to buy the troubled maker of personal computers. Shares in Sun added $2 at $44½.

Sentiment was mixed about whether the Federal Reserve would lower interest rates at the two-day FOMC meeting that was set to begin today.

Recent data have shown the economy to be slowing, but *some economists do not believe* the Fed would act again so soon after the 25 basis-point cut that it announced on December 20.

Cyclical shares – which would benefit most from an interest rate reduction – outperformed shares in consumer goods companies. The Morgan Stanley index of cyclical share advanced 0.6 per cent, while the counterpart index of consumer shares was just 0.1 per cent ahead.

Activity was mixed for Hughes Electronics and Electronic Data Systems – two subsidiaries of General Motors – although both reported stronger than expected fourth-quarter results. Hughes shares were unchanged at $54⅞, while EDS added $1⅛ at $56¼. Shares in General Motors, which is due to report its earnings today, put on $⅝ at $51⅞.

Canada

Toronto was higher in midday trade after bonds recovered from early softness and Wall Street's performance continued to drive prices forward.

The TSE 300 composite index rose 24.15 by noon to 4,925.33 in volume of 36.9m shares.

The recently troubled Loewen Group leapt C$12⅛ to C$39⅞ after the company reached a settlement in a court case against it in Mississippi.

A C$4⅞ rise to C$95¼ in Potash Corp of Saskatchewan was attributed to positive press comment on the company.

Fund fears hit Chile

Santiago was upset by a battle for control of the GT Chile Growth Fund. The weighted IPSA index was off 1.8 per cent at 97.03 by midsession, while the IGPA index receded 1 per cent to 5,592.65 in turnover of 7.1bn pesos.

Investors feared that the fight, sparked by a fresh bid by Regent Kingpin, would result in a sell-off of a large part of GT Chile's portfolio.

Decliners included Telex, down 3.8 per cent at 2,260 pesos, glass-maker Cristales, off 3 per cent at 3,000 pesos, and power utility Enersis, 2.8 per cent cheaper at 205 pesos.

MEXICO CITY galloped to a record intra-day high on news of a larger than expected government bond issue and a $1.5bn loan from the Interamerican Development Bank. *The IPC index gained 11.49* at 3,090.57.

● ING Barings said that it had upgraded its Mexican asset allocation to a neutral position with a broader portfolio bias, from a modest underweight with a heavy interest rate-sensitive bias.

MARKETS IN PERSPECTIVE

	% change in local currency †				% change sterling †	% change in US $ †
	1 Week	4 Weeks	1 Year	Start of 1996	Start of 1996	Start of 1996
Austria	+0.98	+9.95	+3.47	-3.04	+4.98	+0.86
Belgium	-2.16	+3.64	+21.68	+18.98	+28.59	+23.55
Denmark	+0.67	+7.52	+15.32	+12.28	+23.37	+18.53
Finland	-0.47	-1.39	-8.53	-9.11	-1.61	-5.46
France	+0.27	+5.64	+9.55	+6.19	+15.19	+10.68
Germany	+1.15	+7.13	+17.92	+13.00	+22.25	+17.45
Ireland	-0.56	+2.71	+21.99	+22.61	+28.79	+23.74
Italy	-1.98	+2.35	-6.84	-2.02	+3.21	-0.84
Netherlands	+0.19	+4.13	+21.75	+20.96	+30.81	+25.68
Norway	-1.17	+0.85	+5.51	+2.20	+10.19	+5.86
Spain	-0.33	+2.75	+20.10	+18.56	+28.43	+23.39
Sweden	+0.26	-0.52	+16.40	+19.76	+33.20	+27.97
Switzerland	-1.61	-2.39	+26.52	+22.61	+38.48	+33.04
UK	-0.28	+1.16	+23.12	+20.64	+20.64	+15.91
EUROPE	-0.22	+2.58	+17.89	+15.71	+22.22	+17.42
Australia	+0.19	+1.17	+19.92	+16.80	+15.83	+11.29
Hong Kong	+3.48	+11.38	+49.21	+32.32	+37.82	+32.41
Japan	+0.69	+0.94	+14.19	+3.02	+0.28	-3.64
Malaysia	-1.01	+6.06	+22.42	+6.73	+11.04	+6.69
New Zealand	-0.18	-4.36	+4.21	+5.87	+14.65	+10.18
Singapore	+2.88	+9.21	+31.40	+15.66	+23.86	+19.00
Canada	+2.36	+4.30	+19.26	+16.34	+22.97	+18.15
USA	+1.60	+0.82	+32.11	+34.91	+40.42	+34.91
Mexico	+0.54	+11.93	+47.51	+28.07	-11.56	-15.05
South Africa	+2.68	+13.46	+54.99	+16.16	+34.76	+29.47
WORLD INDEX	+0.93	+1.89	+22.43	+18.14	+21.76	+16.98

† Based on January 26 1996.

EUROPE

LVMH suffers after 1995 data disappoint

LVMH fell sharply in PARIS after reporting what analysts described as a "disappointing" rise in 1995 sales, while the group also forecast a 10 per cent gain in net profits. The shares closed FFr16 down at FFr1,129, and at that price, said some analysts, they offered "good value". The company put the results down to the *impact of last year's public sector* strikes in France, a downward revision of earnings from Guinness, of the UK, and higher domestic corporate tax.

Christian Dior, an affiliate, came off FFr15 to FFr555.

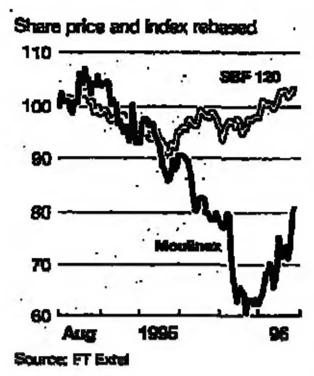
The CAC-40 index moved up 13.95 to 1,980.68.

SGS-Thomson, the semi-conductor manufacturer, went in the opposite direction, gaining FFr7.70 or 4 per cent at FFr186.60, but off a session's high of FFr196.50, after stating that it had seen a substantial increase in 1995 earnings. But the company warned that it was anticipating a slowing of growth for 1996.

Shares in Moulinex, the maker of domestic appliances, took heart when it was confirmed that the chairman was to stand down, apparently after pressure had been brought by the Euris group, the company's main shareholder. The stock appreciated 90 centimes to FFr87.10, off a FFr91.90 high, as the company said it would hold a special meeting tomorrow to consider a replacement.

Moulinex

Share price and index rebased



Source: FT Extel

Rhône-Poulenc added FFr1.80 at FFr110.00 as its US-based Rhône-Poulenc Rorer division announced 1995 results, and said that it aimed to cut 2,900 jobs by the end of next year.

FRANKFURT struck another record high during the official session, before losing some of the gain in the post-bourse. The Dax index closed at 2,446.05, up 13.12, before the Ibis settled back at 2,437.70. Turnover was DM11.1bn.

There were expectations that Deutsche Bank would announce its dividend statement at today's meeting of its supervisory board. Some analysts were forecasting that the company could increase its dividend, especially after Commerzbank said on Friday that it would be lifting its 1995 payment. The shares closed the Ibis off 50 pfgs at DM72.90, having seen DM73.40 earlier.

There was a similar story from Daimler, down DM4 to DM815 in the Ibis after DM819, as the company said that it did not rule out paying a dividend this year in spite of last week's forecast of substantial losses. The company paid a DM11 dividend per share in 1994. Volkswagen said its worldwide car deliveries climbed 8.3 per cent in 1995 and the shares slipped DM1 to DM531 in the Ibis after DM532.

ZURICH overcame early losses, helped by Wall Street's strong opening and a partial recovery in bond futures. The SMI index finished 6.8 higher at 3,198.2, up from a low of 3,166.2.

Lehman Brothers, however, reiterated its underweight position in Swiss equities, noting that last year's 43 per cent rise in the market, in dollar terms, had propelled Zurich into overvalued territory. Last year's safe haven demand for Swiss franc denominated assets was less relevant for equities, while the stronger currency was having a detrimental effect on corporate earnings. "The Swiss market is vulnerable to the rise in European bond yields that we anticipate," said Lehman, "while the cheapness of European cyclical companies, relative to stable growth, does not favour the Swiss market."

Swiss Re picked up SFr24 to SFr1,195 on renewed interest after its underperformance in recent weeks.

MILAN edged higher in low volume trade as investors awaited what many believed would be a final attempt today by President Oscar Luigi Scalfaro to stave off early elections.

The Comit index rose 4.91 to 606.78, while the real-time Mibtel index picked up from a low *of 9,617 to finish 43 ahead at* 9,695.

Shares in Eni, the energy group, outperformed, climbing L86 to L5,842, boosted by arbitrage trading between the ADRs in New York and the Milan market.

A L36.3 bounce in Olivetti to L950.5 was attributed to a technical recovery after last week's sharp losses.

AMSTERDAM was slightly weaker as afternoon profit-taking took the shine off the morning's gain. The AEX index slipped 0.85 to 505.61.

Speculative buying in Fokker followed confirmation that Samsung Aerospace Industrial had expressed interest. A Hong Kong newspaper also reported that other South Korean industrial groups might also become involved in securing some interest in the Dutch regional aircraft builder. The stock jumped Fl 1.10 to Fl 4.30 in *good volume of 2.2m shares.*

Financials were one of the main casualties, largely as a result of profits being booked following recent gains: Aegon lost Fl 1.50 to Fl 71, ING 90 cents to *Fl 110.10* and Fortis Amev 80 cents to Fl 108.70.

KLM declined 90 cents to Fl 53.90 ahead of today's earnings report for December.

DSM, however, moved ahead 80 cents to Fl 138.60 awaiting its 1995 earnings announcement, due today.

WARSAW extended last week's rally, piercing the 10,000-point level for the first time since September 1994. The Wig index rose 213.1 to 10,182.1 as Nomura added Poland to its European equity portfolio.

HELSINKI featured a 7.8 per cent rise *to a two-month high* in Huhtamaki, the confectionery, packaging materials and pharmaceuticals group, erasing Friday's sharp fall on disappointing results.

The Hex index picked up 14.73 to 1,719.30 as Huhtamaki rose FM9 to FM132.

ISTANBUL fell nearly 3 per cent as hopes appeared to weaken for a centre-right coalition government following political developments over the weekend. The composite index lost 878.14 to 45,813.82 in turnover of TL6,840bn.

Written and edited by Michael Morgan and John Pitt

FT-SE Actuaries Share Indices

THE EUROPEAN SERIES

Jan 29 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1536.26	1535.23	1534.29	1535.26	1536.03	1537.07	1539.61	1539.25
FT-SE Eurotrack 200	1649.03	1649.04	1649.12	1648.84	1650.79	1653.24	1654.65	1654.61

	Jan 26	Jan 25	Jan 24	Jan 23	Jan 22
FT-SE Eurotrack 100	1536.40	1543.95	1540.68	1529.19	1538.46
FT-SE Eurotrack 200	1644.06	1651.49	1646.62	1634.84	1641.80

Base 1000 (26/10/90) High/day: 100 - 1540.24; 200 - 1657.87 Low/day: 100 - 1533.70 200 - 1647.54 † Partial

ASIA PACIFIC

Taipei falls 3.5% on China worries, Nikkei weakens

Taipei fell by 3.5 per cent on a report in a Hong Kong newspaper that China had set a timetable for reunification with the island state.

The weighted index sank 169.23 to 4,692.30 in turnover of T$29.2bn.

The Hong Kong Economic Times said Beijing was due to announce today its "attitude" towards Taiwan's presidential elections in March, as well as revealing a timetable for reunification.

Last week a leading US newspaper reported that China had discussed plans to attack Taiwan after the March presidential elections. China declined comment on the report.

China has regarded Taiwan *as a renegade province* since a civil war which ended in 1949.

Tokyo

Profit-taking depressed equities and the Nikkei average closed weaker for the first time in four trading days, *writes Emiko Terazono in Tokyo.*

The Nikkei 225 index lost 74.64 at 20,589.20 after fluctuating between 20,532.49 and 20,686.86. Overseas investors continued to buy shares, but were countered by domestic profit-taking.

Volume totalled 480m shares, against 423.8m. The Topix index of all first section stocks shed 3.92 to 1,593.22 and the Nikkei 300 dipped 1.34 to 297.80. But rises led declines by 541 to 509, with 160 issues unchanged.

In London the ISE/Nikkei 50 index eased 0.12 to 1,394.66.

A decline in bank stocks unsettled the overall market as worries over the parliamentary debate on the bailout for housing loan companies weighed on investor confidence. Mitsubishi Bank retreated Y40 to Y2,350 and Bank of Tokyo lost Y30 to Y1,730.

Speculative issues continued to attract buying by individuals and brokerage dealers. Traders said recommendations by brokerages prompted active demand. Kyokuyo, the fishing company, jumped Y100 to Y870 and Nippon Kakoh Seishi surged Y100 to Y785.

Profit-taking weakened shipbuilders: Kawasaki heavy Industries declined Y7 to Y468. Steels, however, were higher, with Tokyo Steel up Y60 to Y2,010 on reports that it would enter the market for galvanised steel plates. Nippon Steel rose Y5 to Y357.

High-technology shares were mixed. Fujitsu shed Y10 to Y1,120, but Omron advanced Y40 to Y2,350 and Akai Electric gained Y24 at Y392.

In Osaka, the OSE average put on 142.25 at 22,063.74 in volume of 118m shares.

Roundup

SYDNEY was pleased that the government had finally set the date for the federal election – March 2 – and the All Ordinaries index responded with a rise of 25.4 to 2,279.3.

Turnover, which included options expiries, was A$843.5m.

The banking sector was helped by lower bond yields and forecasts that the Conservative opposition party could win the election. Analysts remarked that the Conservatives had a more relaxed attitude to mergers and takeovers within the sector.

National Australia Bank rose 18 cents to A$12.77, ANZ 21 cents to A$6.83, and Advance 15 cents to A$11.45 ahead of today's results.

The golds index moved ahead 63.9 to 2,194.1, with Gold Mines of Kalgoorlie adding 8 cents at A$1.55 and Placer Pacific 12 cents at A$3.04.

TNT slipped 7 cents to A$1.55 after the regulatory authorities in New Zealand blocked initial attempts by Air New Zealand to acquire TNT's 50 per cent stake in Ansett Airlines.

HONG KONG ended moderately lower on profit-taking in cautious trade ahead of today's expiry of January index futures. The Hang Seng index was off 52.90 at 11,058.97 after a day's low of 11,013.01. Turnover dwindled to HK$5.1bn from Friday's HK$7.1bn.

Hutchison again fell victim to cash call fears and led the market down in late trade. It lost 50 cents at HK$49.30 after touching HK$48.80.

Recently listed second-line issues stole the limelight. Founder rocketed 32.5 cents to HK$2.775 in heavy trade and First Sign appreciated 8 cents to HK$1.11.

SINGAPORE was weak on profit-taking, although some late bargain hunting brought prices off their lows. The Straits Times Industrial index finished 13.27 down at 2,437.34.

Malaysian stocks traded over the counter saw selling pressure on concerns over the central bank's decision to ask banks to raise their statutory reserve requirements. Amcol Holdings closed 12 cents lower at S$4.14.

KUALA LUMPUR was weak in response to Bank Negara's move to boost statutory reserve requirements for banks, and as second liners fell on forced selling as brokerages sold shares bought on margin positions a week ago. The composite index fell 10.14 to 1,041.28.

SEOUL rose on broadly based buying by investors becoming increasingly confident about the market outlook, and the composite index closed 8.38 higher at 873.15.

Analysts noted that a Finance Ministry announcement on changes in stock dividend payments had no immediate impact on the market, although the new rule was expected to boost blue chip shares in the long run.

Stocks with small capitalisation, especially telecommunications equipment manufacturers, led the gains, while larger-cap blue chips showed mixed trends.

BANGKOK continued to see domestic mutual funds taking profits on leading finance and bank stocks. The SET index eased 1.70 to 1,376.45 in turnover of Bt4.6bn, the lowest so far this year. Brokers said investors were waiting for publication of the revised current account deficit for 1995, after the central bank said last week that it was likely to revise the figure upwards due to higher than expected imports during November and December.

BOMBAY put in a strong performance, helped by widespread short-covering and selective foreign buying which took the BSE-30 index 46.10 ahead to 2,872.18. Analysts observed that backwardation charges on most blue chips for the business done in the two weeks ended January 25 sparked the short-covering.

S African issues broadly lower

Johannesburg was broadly weaker, with industrials struggling to escape from a very tight price band, before succumbing to profit-taking, and gold shares pulled down by a *very hesitant bullion price,* unable to climb significantly above $405 an ounce.

The overall index receded 24.9 to 6,936.9, industrials lost 11.0 at 8,692.6 and golds gave up 32.2 to 1,707.1. De Beers relinquished 50 cents at R124.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by The Financial Times Ltd., Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by The Financial Times and Goldman Sachs in conjunction with the Institute of Actuaries and the Faculty of Actuaries. NatWest Securities Ltd. was a co-founder of the Indices.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	FRIDAY JANUARY 26 1996 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	THURSDAY JANUARY 25 1996 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (81)	191.02	0.2	188.41	128.81	148.09	171.90	0.0	3.69	190.55	186.51	128.26	146.25	171.90	196.40	157.95	184.93
Austria (26)	184.31	-1.6	181.80	124.28	142.99	142.71	-0.6	1.51	187.36	183.39	126.11	143.80	143.63	199.28	167.48	175.08
Belgium (34)	208.09	-1.5	205.25	140.32	161.32	157.31	-0.5	3.32	211.30	206.82	142.23	162.18	158.16	215.22	166.86	167.91
Brazil (28)	155.50	-0.1	153.38	104.86	120.56	279.99	0.1	1.57	155.61	152.31	104.74	119.43	279.64	180.23	86.08	148.05
Canada (101)	152.87	0.1	150.78	103.08	118.51	152.91	0.5	2.45	152.68	149.44	102.77	117.18	152.19	153.19	121.81	125.36
Denmark (33)	298.46	-1.4	294.39	201.25	231.38	234.02	-0.4	1.40	302.63	296.21	203.70	232.27	235.01	302.74	249.65	249.65
Finland (24)	175.80	-1.5	173.40	118.54	136.29	168.11	-1.1	1.89	178.50	174.72	120.15	137.00	169.98	276.11	171.13	184.89
France (99)	181.01	-0.1	178.54	122.06	140.33	145.39	0.8	3.13	181.24	177.40	122.00	139.11	144.31	191.17	159.06	161.48
Germany (60)	168.32	-1.5	166.03	113.50	130.49	130.49	-0.5	1.83	170.83	167.21	114.99	131.11	131.11	170.83	139.77	140.53
Hong Kong (59)	431.84	0.3	425.95	291.19	334.79	438.65	0.3	3.34	430.60	421.47	289.84	330.49	427.43	431.84	289.43	289.43
Ireland (16)	255.19	-1.4	251.71	172.07	197.83	230.70	-0.6	3.32	258.83	253.34	174.22	198.65	232.13	262.70	205.44	211.33
Italy (59)	74.66	-1.4	73.64	50.34	57.88	89.38	-0.7	1.64	75.73	74.12	50.97	58.12	90.02	82.71	65.45	80.39
Japan (482)	151.22	0.7	149.15	101.97	117.23	101.97	0.8	0.75	150.24	147.06	101.13	115.31	101.13	164.82	136.95	142.17
Malaysia (107)	511.42	-0.5	504.45	344.85	396.48	503.15	-0.7	1.66	514.20	503.30	346.11	394.65	506.48	581.96	417.12	417.12
Mexico (18)	1203.04	0.3	1186.63	811.21	932.66	9768.37	0.8	1.42	1199.31	1173.88	807.26	920.48	9690.24	1237.14	647.81	1066.10
Netherland (19)	272.57	-0.9	268.85	183.79	211.31	207.78	0.1	3.14	275.00	269.17	185.10	211.06	207.54	280.49	218.61	220.35
New Zealand (14)	77.61	-0.5	76.55	52.33	60.16	61.87	-0.2	4.70	77.97	76.32	52.48	59.84	62.01	85.49	71.73	71.73
Norway (33)	225.67	-1.4	222.59	152.17	174.95	200.02	-0.4	2.09	228.77	223.92	153.98	175.58	200.87	243.79	202.76	210.65
Singapore (44)	443.93	-0.3	437.88	299.34	344.16	289.88	-0.2	1.39	445.07	435.63	299.58	341.59	290.57	445.07	329.57	329.57
South Africa (45)	435.93	-0.1	429.99	293.95	337.96	348.35	0.2	3.38	436.21	426.96	293.61	334.79	347.69	436.21	281.06	290.62
Spain (37)	162.82	-1.9	160.60	109.79	126.23	156.01	-0.7	3.92	165.99	162.47	111.73	127.40	157.12	166.91	124.10	130.17
Sweden (47)	295.76	-1.8	291.73	199.43	229.29	304.60	-0.7	1.87	301.29	294.90	202.80	231.24	306.74	324.31	232.23	237.11
Switzerland (38)	219.77	-2.0	216.77	148.19	170.38	164.32	-0.5	1.62	224.22	219.46	150.92	172.09	165.13	239.55	162.89	164.33
Thailand (46)	185.62	-0.5	183.09	125.17	143.91	182.56	-0.3	2.20	186.49	182.54	125.53	143.13	183.19	186.79	130.15	135.05
United Kingdom (206)	225.82	-0.8	222.74	152.27	175.06	222.74	0.0	4.17	227.59	222.76	153.19	174.68	222.76	232.23	192.73	194.24
USA (632)	253.30	0.7	249.85	170.80	196.37	253.30	0.7	2.25	251.47	246.14	169.27	193.01	251.47	253.50	191.73	191.73
Americas (779)	231.50	0.7	228.35	156.10	179.47	194.63	0.7	2.24	229.90	225.03	154.75	176.45	193.25	231.50	176.22	176.55
Europe (732)	198.39	-1.1	195.68	133.77	153.80	174.28	-0.1	3.03	200.57	196.32	135.01	153.94	174.54	204.32	167.65	168.80
Nordic (137)	266.11	-1.6	262.48	179.44	206.30	235.87	-0.7	1.87	270.58	264.84	182.13	207.67	237.45	285.02	222.22	227.18
Pacific Basin (833)	163.90	0.5	161.66	110.52	127.06	113.58	0.7	1.17	163.04	159.58	109.74	125.13	112.84	171.87	145.95	148.88
Euro-Pacific (1565)	178.16	-0.2	175.73	120.13	138.12	136.64	0.3	2.04	178.57	174.79	120.20	137.06	136.26	183.39	156.37	157.09
North America (733)	247.07	0.7	243.70	166.60	191.54	246.52	0.7	2.26	245.34	240.14	165.14	188.30	244.76	247.07	187.62	187.62
Europe Ex. UK (526)	179.04	-1.3	176.59	120.73	138.80	147.35	-0.2	2.40	181.33	177.49	122.05	139.17	147.88	184.61	150.45	151.29
Pacific Ex. Japan (351)	281.77	0.0	277.92	190.00	218.44	248.94	-0.1	2.97	281.74	275.76	189.64	216.23	249.08	281.77	216.30	216.30
World Ex. US (1757)	180.09	-0.2	177.63	121.43	139.61	141.01	0.3	2.07	180.48	176.65	121.48	138.52	140.81	184.71	156.72	157.68
World Ex. UK (2183)	200.17	0.3	197.44	134.97	155.18	169.48	0.5	1.95	199.62	195.38	134.36	153.21	167.62	202.03	165.27	165.27
World Ex. Japan (1907)	231.09	0.0	227.94	155.82	179.15	218.64	0.4	2.58	231.01	226.11	155.49	177.30	218.05	232.30	182.89	183.11
The World Index (2389)	202.46	0.2	199.70	136.52	156.96	173.34	0.5	2.15	202.10	197.81	136.03	155.11	172.53	204.65	167.81	167.81

CONSTITUENT CHANGE WITH EFFECT 31/1/96: Deletion: Forte (UK). Latest prices were unavailable for this edition. Market closed 26/1/96: Australia.